

JACKSONVILLE HOUSING FINANCE AUTHORITY



Jacksonville Housing Finance Authority Board of Directors Meeting

June 18, 2018

Noon

214 North Hogan Street, 8th Floor

- AGENDA -

Call Meeting to Order	Chair
Approval of Minutes of March 21, 2018 Meeting	JHFA Board

I. Public Comments

A. Public Comments	Public
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II. REPORTS

A. "To-Do" List Earlier Meetings	Mark Hendrickson
B. Staff and Financial Report	Laura Stagner

- Financial Statement
- 2018-2019 Budget
- Procurement

C. Financial Advisor Memo	Mark Hendrickson
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IV. ACTION ITEMS

A. Board Members Declare Conflicts, if any	Board
B. Consider Allocation of Additional DPA	Mark Hendrickson
C. Consider Final Approval: Caroline Arms	Mark Hendrickson
D. Consider Extension to Preliminary Agreement: Millennia	Mark Hendrickson
D. Consider Inducement Resolution: Desert Winds/Silver Creek	Mark Hendrickson
E. Consider Waiver: Caroline Oaks	Mark Hendrickson
F. Consider Amendment to Trust Indenture: Caroline Oaks	Mark Hendrickson

V. NEW BUSINESS

VI. OLD BUSINESS

A. Update on Single Family Program	Mark Hendrickson
B. Update on Millennia Portfolio	Mark Hendrickson
C. Update on Existing Rental Properties	Mark Hendrickson
• Recent JHFA Activities/Developments	
• Occupancy Report	

VII. ADJOURN JHFA MEETING

Chair

Demographic Analysis Report

ORIGINATION SUMMARY REPORT

ORIGINATOR SUMMARY	LOANS	AMOUNT	% OF TOTAL
Academy Mortgage Corporation	98	\$13,310,782.00	26.34%
American Neighborhood Mortgage Acceptance Company, LLC	1	188,175.00	0.27%
Ameris Bank	3	479,099.00	0.81%
Bank of England	50	7,378,622.00	13.44%
CMG Mortgage, Inc.	12	1,761,156.00	3.23%
DHI Mortgage Co., Ltd.	4	503,593.30	1.08%
Fairway Independent Mortgage Corporation	39	5,051,991.00	10.48%
GSF Mortgage Corporation	1	195,395.00	0.27%
Network Funding, L.P.	6	821,657.00	1.61%
Open Mortgage, LLC	5	659,699.00	1.34%
Pacific Union Financial, LLC	14	2,081,660.00	3.76%
PrimeLending, a Plains Capital Company	38	5,299,683.00	10.22%
Resource Financial Services, Inc.	1	56,100.00	0.27%
SWBC Mortgage Corporation	100	11,407,087.00	26.88%
TOTAL	372	\$49,194,699.30	100.00%

Demographic Analysis Report

CITY SUMMARY

CITY	LOANS	AMOUNT	% OF TOTAL
Atlantic Beach	1	\$138,990.00	0.27%
Jacksonville	370	48,949,432.30	99.46%
Jacksonville Beach	1	106,277.00	0.27%
TOTAL	372	\$49,194,699.30	100.00%

Demographic Analysis Report

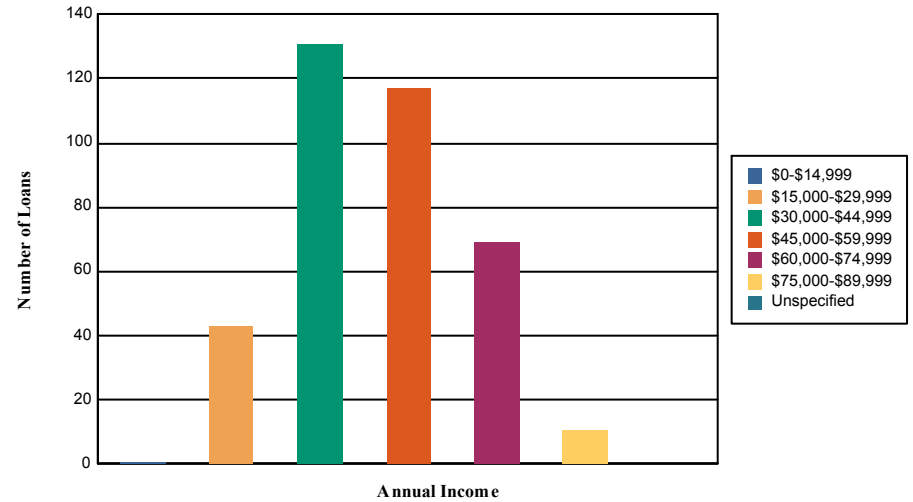
COUNTY SUMMARY

COUNTY	LOANS	AMOUNT	% OF TOTAL
Duval	372	\$49,194,699.30	100.00%
TOTAL	372	\$49,194,699.30	100.00%

Demographic Analysis Report

HOUSEHOLD ANNUAL INCOME REPORT

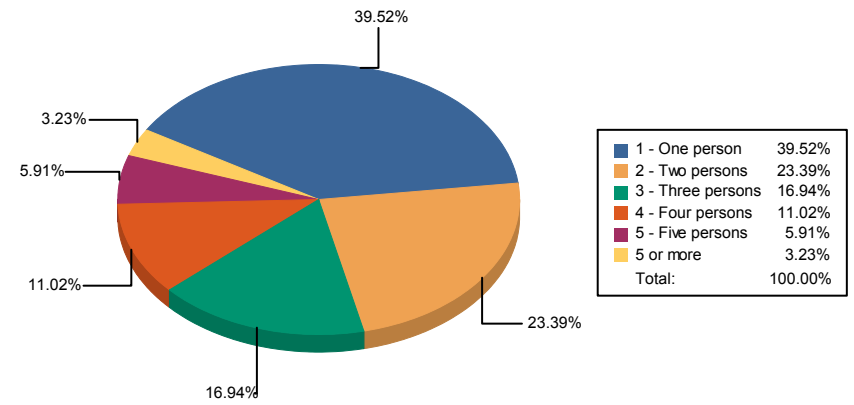
ANNUAL INCOME	LOANS	% OF TOTAL
\$0-\$14,999	1	0.27%
\$15,000-\$29,999	43	11.56%
\$30,000-\$44,999	131	35.22%
\$45,000-\$59,999	117	31.45%
\$60,000-\$74,999	69	18.55%
\$75,000-\$89,999	11	2.96%
TOTAL	372	100.00%



Demographic Analysis Report

HOUSEHOLD SIZE REPORT

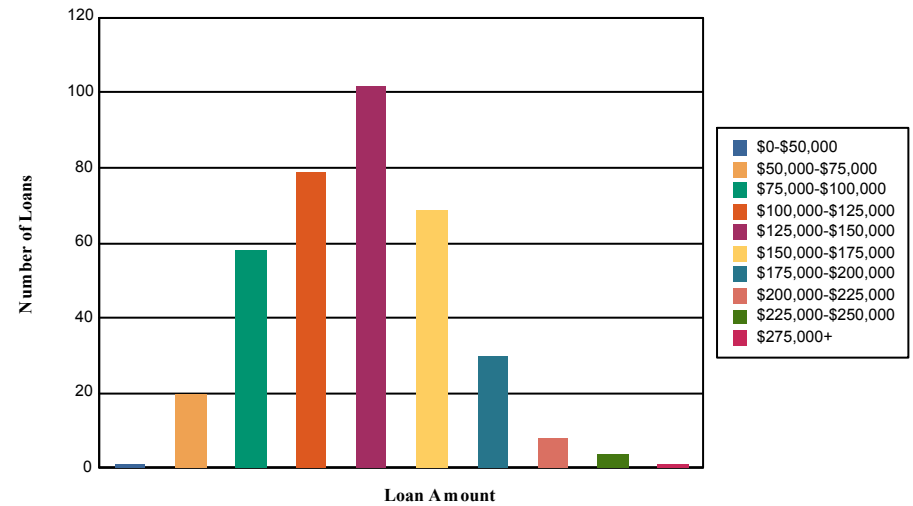
HOUSEHOLD SIZE	LOANS	% OF TOTAL
1 - One person	147	39.52%
2 - Two persons	87	23.39%
3 - Three persons	63	16.94%
4 - Four persons	41	11.02%
5 - Five persons	22	5.91%
6 - Six persons	10	2.69%
7 - Seven persons	1	0.27%
8 - Eight or more persons	1	0.27%
TOTAL	372	100.00%



Demographic Analysis Report

LOAN AMOUNT REPORT

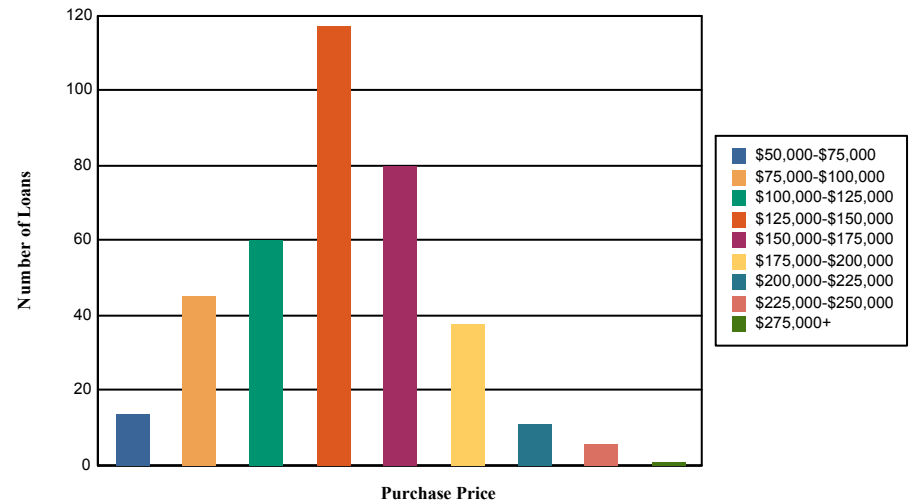
LOAN AMOUNT	LOANS	% OF TOTAL
\$0-\$50,000	1	0.27%
\$50,000-\$75,000	20	5.38%
\$75,000-\$100,000	58	15.59%
\$100,000-\$125,000	79	21.24%
\$125,000-\$150,000	102	27.42%
\$150,000-\$175,000	69	18.55%
\$175,000-\$200,000	30	8.06%
\$200,000-\$225,000	8	2.15%
\$225,000-\$250,000	4	1.08%
\$275,000+	1	0.27%
TOTAL	372	100.00%



Demographic Analysis Report

PURCHASE PRICE REPORT

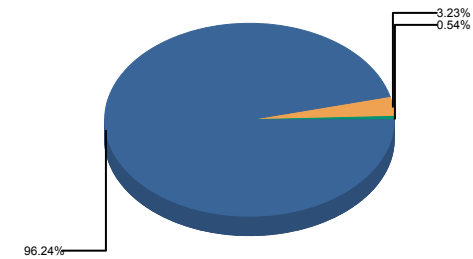
PURCHASE PRICE	LOANS	% OF TOTAL
\$50,000-\$75,000	14	3.76%
\$75,000-\$100,000	45	12.10%
\$100,000-\$125,000	60	16.13%
\$125,000-\$150,000	117	31.45%
\$150,000-\$175,000	80	21.51%
\$175,000-\$200,000	38	10.22%
\$200,000-\$225,000	11	2.96%
\$225,000-\$250,000	6	1.61%
\$275,000+	1	0.27%
TOTAL	372	100.00%



Demographic Analysis Report

LOAN TYPE REPORT

LOAN TYPE	LOANS	% OF TOTAL
FHA	358	96.24%
FreddieMac HFA Advantage	12	3.23%
VA	2	0.54%
TOTAL	372	100.00%

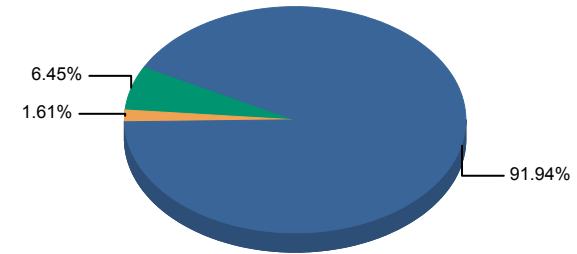


FHA	96.24%
FreddieMac HFA Advantage	3.23%
VA	0.54%
Total:	100.00%

Demographic Analysis Report

PROPERTY TYPE REPORT

PROPERTY TYPE	LOANS	% OF TOTAL
1 Unit Single Family Detached	342	91.94%
Condominium	6	1.61%
Townhouse	24	6.45%
TOTAL	372	100.00%

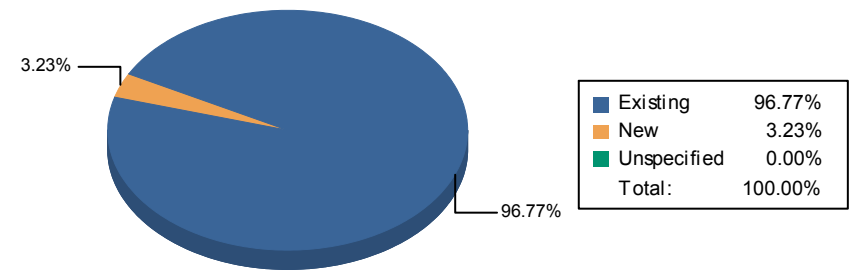


■ 1 Unit Single Family Detached ■ Condominium ■ Townhouse

Demographic Analysis Report

CATEGORY TYPE REPORT

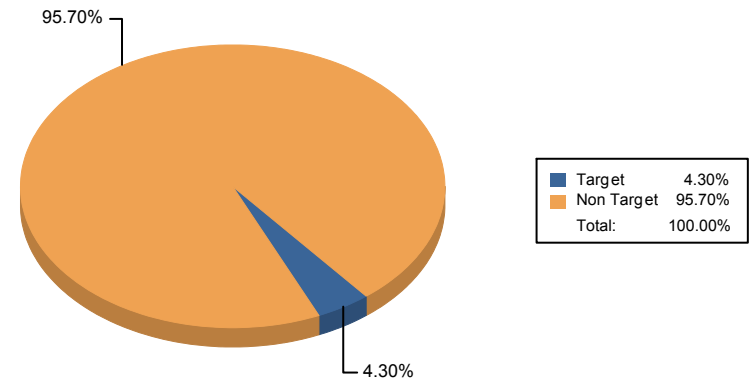
TYPE	LOANS	% OF TOTAL
Existing	360	96.77%
New	12	3.23%
Unspecified	0	0.00%
TOTAL	372	100.00%



Demographic Analysis Report

TARGET/NON TARGET REPORT

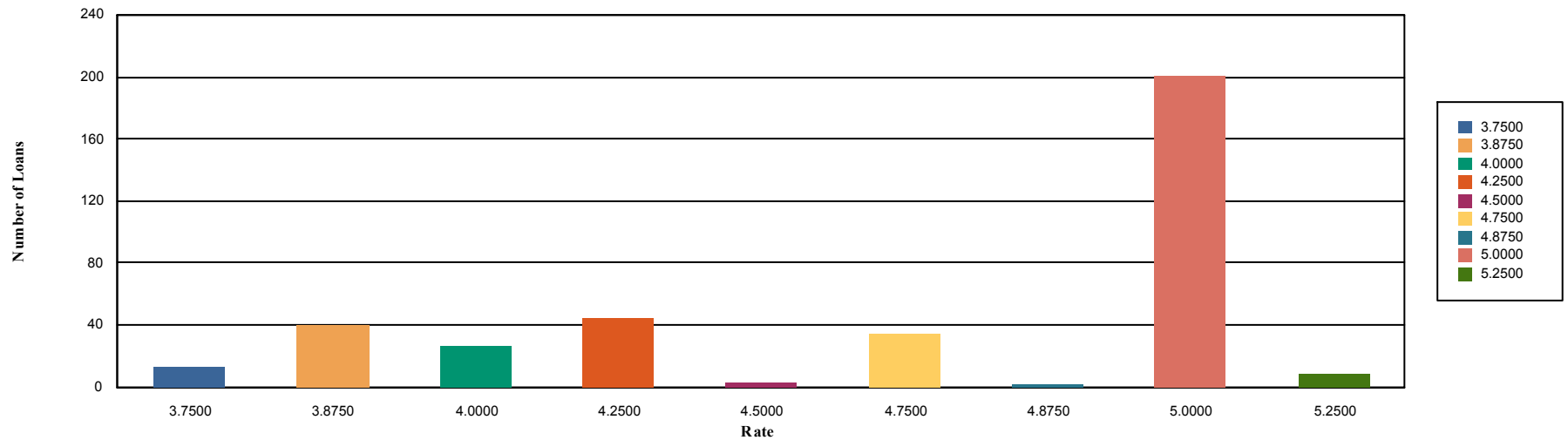
TYPE	LOANS	AMOUNT	% OF TOTAL
TARGET	16	\$1,655,376.00	4.30%
NON TARGET	356	\$47,539,323.30	95.70%
TOTAL	372	\$49,194,699.30	100.00%



Demographic Analysis Report

INTEREST RATE LISTING REPORT

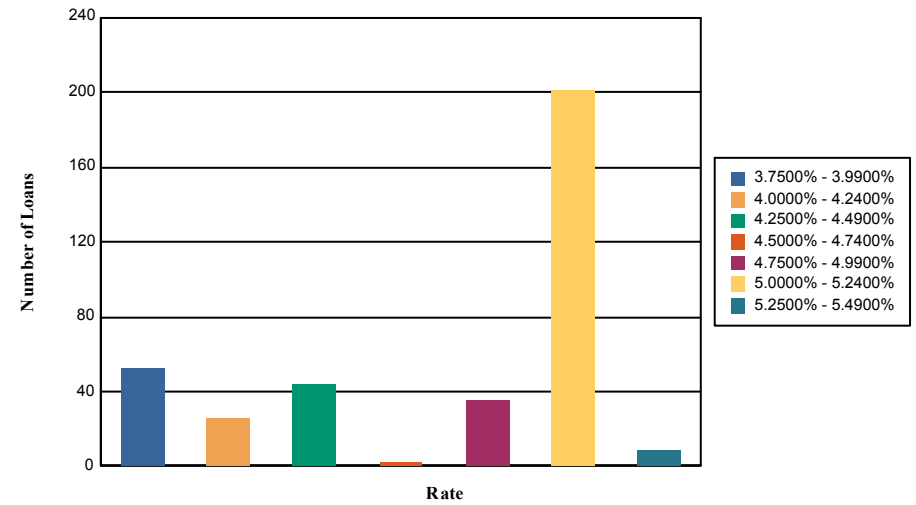
<u>RATE</u>	<u>COUNT</u>	<u>AMOUNT</u>	<u>% OF TOTAL</u>
3.7500%	13	\$1,592,026.30	3.49%
3.8750%	40	\$4,938,253.00	10.75%
4.0000%	26	\$3,068,588.00	6.99%
4.2500%	44	\$4,471,022.00	11.83%
4.5000%	3	\$408,231.00	0.81%
4.7500%	34	\$4,792,434.00	9.14%
4.8750%	2	\$262,995.00	0.54%
5.0000%	201	\$28,613,031.00	54.03%
5.2500%	9	\$1,048,119.00	2.42%
TOTAL	372	\$49,194,699.30	100.00%



Demographic Analysis Report

INTEREST RATE RANGES REPORT

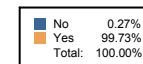
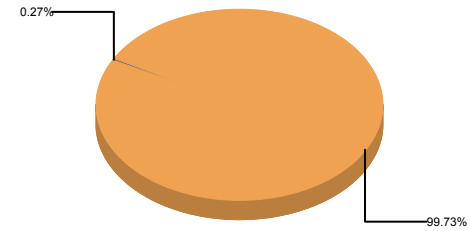
RATE	LOANS	% OF TOTAL
3.7500% - 3.9900%	53	14.25%
4.0000% - 4.2400%	26	6.99%
4.2500% - 4.4900%	44	11.83%
4.5000% - 4.7400%	3	0.81%
4.7500% - 4.9900%	36	9.68%
5.0000% - 5.2400%	201	54.03%
5.2500% - 5.4900%	9	2.42%
TOTAL	372	100.00%



Demographic Analysis Report

FIRST TIME HOMEBUYER REPORT

FIRST TIME HOMEBUYER	LOANS	% OF TOTAL
No	1	0.27%
Yes	371	99.73%
TOTAL	372	100.00%



Demographic Analysis Report

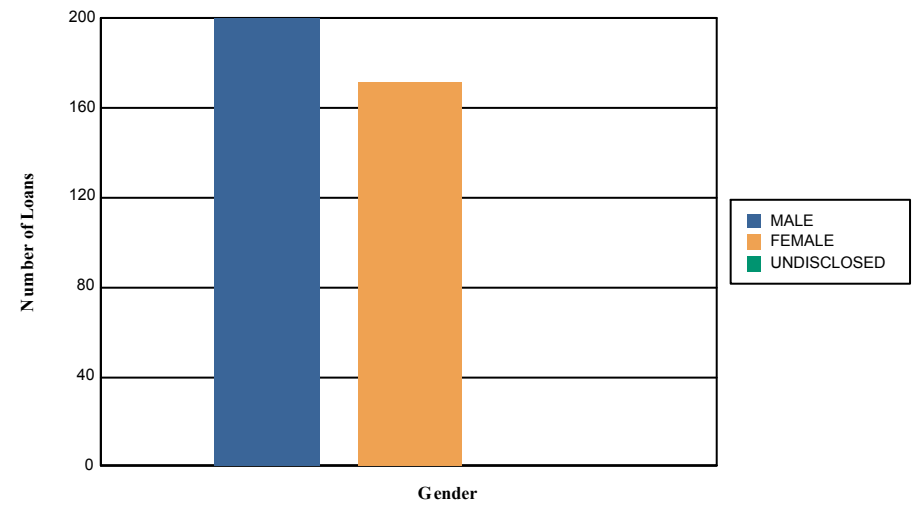
ADDITIONAL MORTGAGE REPORT

ADDTL MTG PROGRAM \ PRIMARY MTG PROGRAM	LOANS	AMOUNT	AVERAGE LOAN AMOUNT
Hillsborough 2012 DPA Programs \ Hillsborough 2012 SF Program	160	\$1,649,660.00	\$10,310.38
Hillsborough AIS \ Hillsborough 2012 SF Program	3	\$5,500.00	\$1,833.33

Demographic Analysis Report

GENDER REPORT

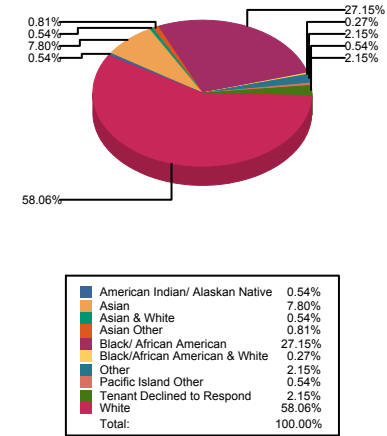
GENDER	LOANS	% OF TOTAL
MALE	200	53.76%
FEMALE	172	46.24%
UNDISCLOSED	0	0.00%
TOTAL	372	100.00%



Demographic Analysis Report

RACE REPORT

DESCRIPTION	LOANS	% OF TOTAL
American Indian/ Alaskan Native	2	0.54%
Asian	29	7.80%
Asian & White	2	0.54%
Asian Other	3	0.81%
Black/ African American	101	27.15%
Black/African American & White	1	0.27%
Other	8	2.15%
Pacific Island Other	2	0.54%
Tenant Declined to Respond	8	2.15%
White	216	58.06%
TOTAL	372	100.00%

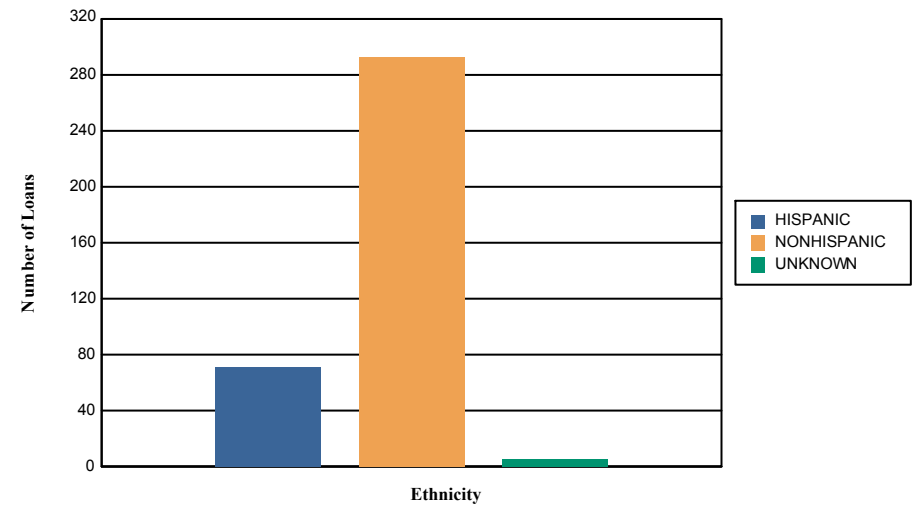


This graphic displays race combinations representing more than 10% of the population

Demographic Analysis Report

ETHNICITY REPORT

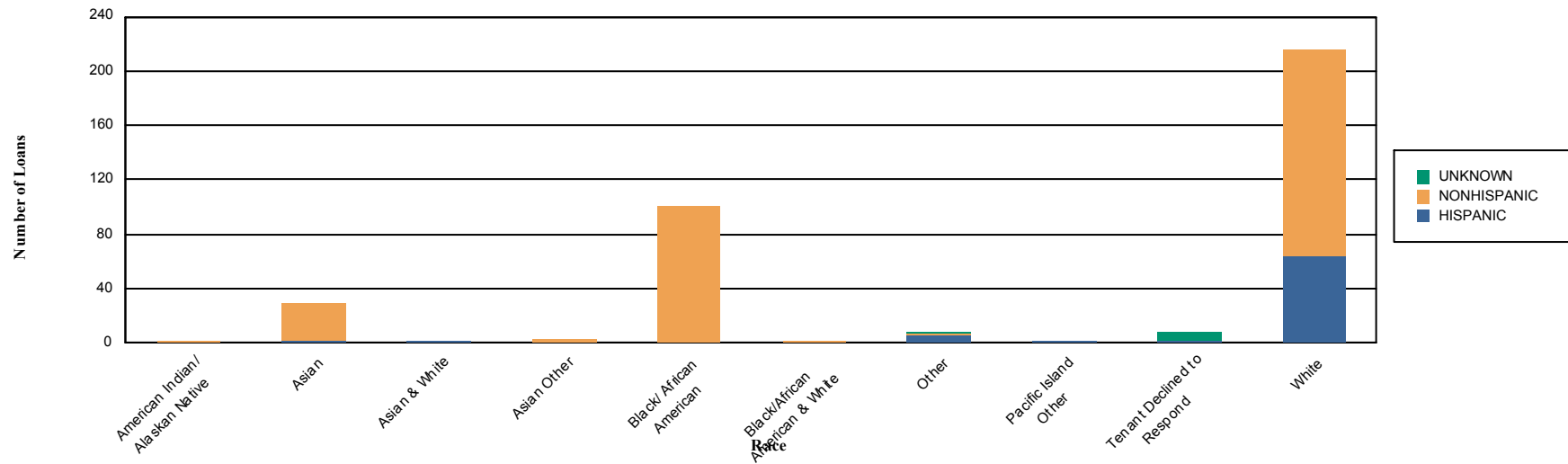
ETHNICITY	LOANS	AMOUNT	% OF TOTAL
HISPANIC	72	\$9,640,508.00	19.35%
NON HISPANIC	293	\$38,612,211.30	78.76%
OTHER	7	\$941,980.00	1.88%
TOTAL	372	\$49,194,699.30	100.00%



Demographic Analysis Report

RACE BY ETHNICITY REPORT

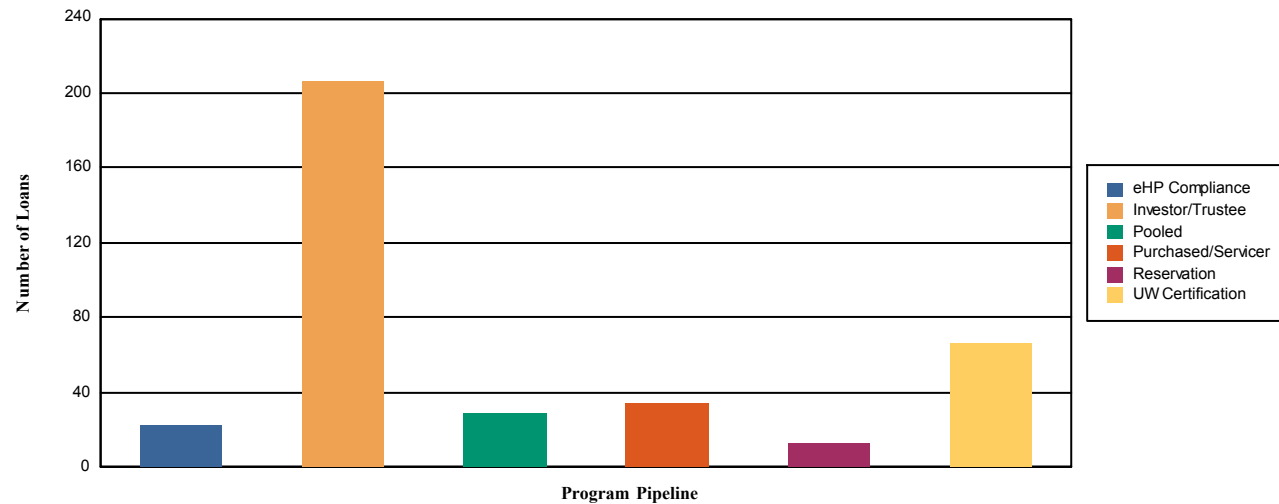
RACE	HISPANIC	NONHISPANIC	OTHER	LOANS	% OF TOTAL
American Indian/ Alaskan Native	0	2	0	2	0.54%
Asian	1	28	0	29	7.80%
Asian & White	1	1	0	2	0.54%
Asian Other	0	3	0	3	0.81%
Black/ African American	0	101	0	101	27.15%
Black/African American & White	0	1	0	1	0.27%
Other	5	2	1	8	2.15%
Pacific Island Other	1	1	0	2	0.54%
Tenant Declined to Respond	1	1	6	8	2.15%
White	63	153	0	216	58.06%
TOTAL	72	293	7	372	100.00%



Demographic Analysis Report

PIPELINE REPORT

PROGRAM PIPELINE	LOANS	AMOUNT	% OF TOTAL
Reservation	13	\$1,782,231.00	3.49%
UW Certification	66	\$9,364,619.00	17.74%
eHP Compliance	23	\$3,435,362.00	6.18%
Purchased/Service	34	\$4,506,180.00	9.14%
Pooled	29	\$3,821,477.00	7.80%
Investor/Trustee	207	\$26,284,830.30	55.65%
TOTAL	372	\$49,194,699.30	100.00%



Demographic Analysis Report

PROGRAM SUMMARY

AVERAGE PRINCIPAL MORTGAGE:	\$132,243.82
AVERAGE PURCHASE PRICE:	\$138,620.49
AVERAGE HOUSEHOLD ANNUAL INCOME:	\$47,510.46
AVERAGE DPA AMOUNT:	\$10,154.36
AVERAGE AGE OF PRIMARY BORROWER:	36
AVERAGE HOUSEHOLD SIZE:	2
AVERAGE EMPLOYED IN HOUSEHOLD:	1

Demographic Analysis Report

Report Selection Criteria

Agencies

CODE	NAME
	Jacksonville Housing Finance Authority
	HFA of Hillsborough County

Counties

CODE	NAME
	Duval

Programs

CODE	NAME
HI8	Hillsborough 2012 SF Program
HI9	Hillsborough First with HHF DPA

JACKSONVILLE HOUSING FINANCE AUTHORITY
COMBINING BALANCE SHEET
MAY 2018

JACKSONVILLE HOUSING FINANCE AUTHORITY				
	721	722	723	TOTAL
	Operating	LGSC Funds	Loan Funds	
<u>ASSETS</u>				
Equity in Cash and Investments.....	\$ 2,142,710	\$ 1,027,860	\$ 4,014,892	\$ 7,185,462
Cash in Escrow and with Fiscal Agents.....	1,500,000	-	348,446	1,848,446
Mortgages Receivable.....	6,162,385	6,840,032	1,289,328	14,291,745
Allowance for Doubtful Accounts.....	(1,379,746)	-	-	(1,379,746)
Other Assets.....	-	-	-	-
TOTAL ASSETS.....	\$ 8,425,349	\$ 7,867,892	\$ 5,652,666	\$ 21,945,907

LIABILITIES AND FUND BALANCES

LIABILITIES:

Accounts Payable and Accrued Liabilities.....	\$ 2,027	\$ -	\$ -	\$ 2,027
Deposits.....	131,725	-	-	131,725
Deferred Revenue.....	-	-	-	-
Loan Commitments.....	-	-	-	-
TOTAL LIABILITIES.....	\$ 133,752	\$ -	\$ -	\$ 133,752

FUND BALANCES:

Nonspendable Fund Balance.....	\$ 4,782,639	\$ 6,840,032	\$ 1,289,328	\$ 12,911,999
Restricted Fund Balance.....	1,502,205	-	348,446	1,850,651
Committed Fund Balance.....	-	989,500	-	989,500
Assigned Fund Balance.....	-	-	-	-
Unassigned Fund Balance.....	\$ 1,721,444	\$ 14,041	\$ 2,703,884	\$ 4,439,369
Current Year Operating Excess (Deficit).....	285,309	24,319	1,311,008	1,620,636
Total Fund Balances.....	\$ 8,291,596	\$ 7,867,892	\$ 5,652,666	\$ 21,812,155
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 8,425,349	\$ 7,867,892	\$ 5,652,666	\$ 21,945,907

Outstanding Loan Commitments

Houston Street Manor (Closed / Unfunded)	115,000
Lofts at LaVilla Monroe (Closed / Unfunded)	303,750

Outstanding Loan Commitments

Pine Grove (Pending / Unfunded)	115,000
The Waves (Pending/Unfunded)	115,000
Lofts at Jefferson (Pending / Primary)	225,750
Springfield Plaza (Pending / Backup)	115,000

\$ 418,750

Grand Total Loan Commitments

\$ 989,500

JACKSONVILLE HOUSING FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018 (AS OF MAY 31, 2018)

	JACKSONVILLE HOUSING FINANCE AUTHORITY			
	721	722	723	TOTAL
	Operating	LGSC Funds	Loan Funds	
REVENUE:				
From Bond Sources.....	\$ 79,442	\$ -	\$ -	\$ 79,442
From Mortgage Servicing.....	17,379	20,036	-	37,415
From Investment & Interest Income.....	338,839	4,283	26,008	369,130
From Other Sources.....	11,230	-	-	11,230
Total Revenue (Excluding Transfers).....	<u>\$ 446,890</u>	<u>\$ 24,319</u>	<u>\$ 26,008</u>	<u>\$ 497,217</u>
Transfers from Fund Balance/Intra-fund.....	-	-	2,200,000	2,200,000
Total Revenue (Including Transfers).....	<u>\$ 446,890</u>	<u>\$ 24,319</u>	<u>\$ 2,226,008</u>	<u>\$ 2,697,217</u>
EXPENDITURES:				
For Program Uses.....	\$ -	\$ -	\$ 915,000	\$ 915,000
For Personnel Expenses.....	16,765	-	-	16,765
For Operating Expenses.....	144,815	-	-	144,815
For Other Expenses.....	-	-	-	-
Total Expenditures.....	<u>\$ 161,581</u>	<u>\$ -</u>	<u>\$ 915,000</u>	<u>\$ 1,076,581</u>
ENCUMBRANCES:				
For Program Uses.....	\$ -	\$ -	\$ -	\$ -
For Personnel Expenses.....	-	-	-	-
For Operating Expenses.....	2,205	-	-	2,205
For Other Expenses.....	-	-	-	-
Total Encumbrances.....	<u>\$ 2,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,205</u>
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES AND ENCUMBRANCES.....	<u>\$ 283,104</u>	<u>\$ 24,319</u>	<u>\$ 1,311,008</u>	<u>\$ 1,618,431</u>

**Jacksonville Housing Finance Authority
2018/2019 Budget**

Estimated Revenues:

36142	Realized Gain/Loss on Sale	\$ 55,000
36907	Miscellaneous Sales	75,000
36936	Mortgage Interest	30,000
38502	Bond Issuer Fees	125,000
361101	Investment Proceeds	35,000
Total Estimated Revenues		\$ 320,000

Estimated Expenditures:

Personnel *

01201	Salaries	\$ 62,159
01401	Salaries Overtime	-
01511	Special Pay	870
02101	Payroll Taxes	-
02102	Medicare Taxes	872
02201	Pension Contributions	4,962
2201B	Unfunded Pension Liability	11,588
02207	Disability Trust Fund	181
02303	Group Life Insurance	209
02304	Group Hospitalization	8,489
Total Personnel		\$ 89,330

Operating Expenses

03109	Professional Services	\$ 145,000
04002	Travel Expenses	10,000
04205	OGC Legal	31,261
04221	Mailroom	409
04223	Computer Data Center	2,359
04404	Lease Purchase	-
04603	Repairs and Maintenance	1
04801	Advertising	1,000
04938	Miscellaneous	16,392
05101	Office Supplies	1,500
05206	Food & Beverage	1,000
05216	Other Operating Expenses	1
05401	Employee Training	7,500
05402	Dues, Subscriptions, Memberships	4,000
Total Operating Expenses		\$ 220,423

Other Expenses

06302	Improvements Other Than Buildings	\$ 1
06402	Other Heavy Equipment	1
09904	Indirect Costs	10,245
Total Other Expenses		\$ 10,247

Total Estimated Expenditures \$ 320,000

* The JHFA utilizes Housing & Community Development Division staff on a cost-reimbursement basis as authorized in Section 52.105, *Municipal Code*. The monetary amount budgeted represents approximately 50% of the Director - Finance position and approximately 35% of the Contract Compliance Manager position.

SCOPE OF SERVICES:

The Jacksonville Housing Finance Authority (the “JHFA”), established under Part IV of Chapter 159, Florida Statutes and Chapter 52 of the Ordinance Code of the City of Jacksonville, hereby solicits written proposals from qualified firms in order to select a firm to serve as its “Financial Advisor” (sometimes referred to herein as “Consultant”).

The Financial Advisor would serve in a full-service capacity, advising the JHFA as needed on all single-family financings and multi-family financings as well as all other matters involving JHFA participation in financings of affordable housing in Duval County, Florida.

Although the JHFA primarily uses tax-exempt bond issues as its principal financing approach, the JHFA also has available cash funds that it may desire to use on a loan, credit enhancement or other basis in order to achieve maximum financial leverage and to recycle the funds for future financings. The JHFA may also be interested, at some point in the future, in potential refunding plans to lower debt service on any of its prior bond issues..

Since 1980, the JHFA (or its predecessor, the Duval County Housing Finance Authority) has issued 24 single family issues in total principal amount in excess of \$730 million, and 38 multi-family projects in excess of \$391 million. The most recent single-family issue was 2010. There are no single-family issues outstanding. The last multi-family issue was 2017. There are projects totaling over \$125 million awaiting closing as of May 2018.

Although the JHFA does not guarantee any specific level of service and makes no representation or warranty as to any future level of service, it is estimated that the minimum level of service for Financial Advisor during the past year has averaged not less than 10 hours per week including both general services and services related to the issuance of bonds.

Qualified organizations are invited to submit a statement of qualifications describing their ability to carry out the individual activities outlined below.

A. General Matters.

1. Attend monthly meetings and special meetings of the JHFA, JHFA subcommittee meetings and, on an as-needed basis attend any meetings of the City Council or its committees;
2. As needed, consult with members of the JHFA and its staff, and bond counsel, underwriters, trustee and other providers of professional services or consulting services;
3. Review, analyze and make recommendations with respect to housing proposals made to the JHFA by developers, non-profit community groups or others;
4. Provide information and advice to the JHFA from time to time concerning the JHFA's investment of available funds, general economic conditions, housing market conditions, and proposed tax law changes;
5. Draft MF handbook and Application and update as appropriate, evaluate all MF Applications for bonds and gap loans, coordinate credit underwriter reports with credit underwriters, evaluate monthly occupancy reports and maintain detailed occupancy reports and charts by project, evaluate monthly servicing reports, evaluate demographics both single family and multifamily programs with monthly reports to Board, monitor FHFC activities as they relate to Jacksonville HFA and prepare comments for Board in conjunction with HFA rulemaking, develop and modify investment policy.

6. Provide information, advice and assistance to the JHFA from time to time in its general operations concerning matters that may affect the interests of the JHFA.
7. Prepare Board Agenda and Monthly Board Packages, prepare Minutes for Board members approval, coordinate Quorum for Board Meeting, maintain Board contact information, register Board members for conferences and arrange for travel, work with CPA and Finance Staff to collect and submit monthly financial information to Board members, coordinate TEFRA notices and notices for public hearings, maintain HFA membership in affiliate organizations.

B. Services related to Bond Issues.

The below services pertain generally to single-family bond issues and multi-family bond issues of the JHFA, but may apply to any projects involving participation of the JHFA where the JHFA is using any of its available funds as a loan, credit enhancement or otherwise.

1. Analyze the financial and the other economic factors relating to the JHFA and issuance of the proposed bonds.
2. Determine if the JHFA should proceed with any plan to issue such bonds based upon the JHFA's bonding authority, bond volume cap allocation, time schedule, available revenues and similar related factors.
3. Provide advice to the JHFA regarding the feasibility of the various financing methods available in the issuance of bonds, and if feasible, to provide advice and recommendations to the JHFA as to the most advantageous method of structuring the financing and the marketing of the bonds, such as sale of bonds (or notes) by competitive bidding or negotiated sale.
 - (a) If competitive bidding is advised, assist the JHFA and bond counsel in preparing the notice of bond sale, bid form and preliminary and final Official Statements.
 - (b) If a negotiated sale is advised, make recommendations as to the number of underwriters that should be used to assure an optimum sale of the bonds, recommend whether to accept or reject the offer of the underwriters, and review the preliminary and final Official Statements prepared by the underwriters.
4. Services if the bond issue is determined to be feasible and is authorized by the JHFA.
 - (a) Meet with representatives of the JHFA and with the parties designated for such purposes by the JHFA at all reasonable times after reasonable notice.
 - (b) Recommend the necessary provisions and covenants of the JHFA to be contained in the bond resolutions including but not limited to bond amounts, dates, maturities, interest rates, redemption provisions, flow of funds, debt service coverage requirements, reserve funds, rates and charges, security pledges and conditions relating to the issuance of any additional bonds.
 - (c) Coordinate work with the JHFA's attorney and bond counsel regarding the financial and security provisions to be contained in the instruments authorizing and securing the bonds and to attend hearings and otherwise assist, to the extent reasonable, necessary and proper, in matters required by administrative,

judicial, legislative and other governmental bodies, including testimony, exhibits and services as an expert witness in the proceedings to validate the bonds.

- (d) Assist the JHFA in selection of underwriter(s) and method of allocation of bonds.
- (e) Prepare any necessary illustrations, charts, graphic presentations and other information of use to the public, underwriters and potential investors.
- (f) Prepare information necessary to obtain a favorable bond rating and, if necessary, make presentation of this information to the bond rating organizations.
- (g) Assist in the preparation of the Preliminary and final Official Statement and distribute the same to potential underwriters, rating agencies and large investors. The official Statement should be presented in a form familiar to bond underwriters and should include but is not limited to the following:
 - (1) Notice of bond sale, specifying necessary bidding requirements (if applicable).
 - (2) The official bid form (if applicable).
 - (3) History and description of the JHFA and the source of its authority to issue bonds.
 - (4) Description of the purpose of the issue, its security, credit enhancement, synopsis of its covenants and remedies for the protection of the bondholders, tables of historic revenues and coverage, and such other matters as are customarily disclosed and set forth in an official statement presenting a comparable issue of bonds.
 - (5) A reprint of the bond authorizing resolution, and such other related resolution and documents as the JHFA deems necessary and desirable.
 - (6) Information necessary for compliance with full disclosure requirements.
 - (7) Initiate and conduct an information program designed to stimulate interest of underwriters and investors to purchase the bonds.
 - (8) Attend any sale of the bonds and advise the JHFA whether awarding the sale of bonds to the buyer is in the best interest of the JHFA.
 - (9) Advise and assist the JHFA in arranging for printing, execution, and signing and delivery of the bonds and in closing after the bond sale, including scheduling and arranging for the investment of proceeds of the bond sale in compliance with arbitrage regulations.

The Financial Advisor that is selected must warrant that it has not employed or retained a company or person, other than a bona fide employee working solely in its employ, to solicit

or secure a contract with the JHFA and that it has not paid or agreed to pay any person, company, corporation, individual or firm other than a bona fide employee working solely in its employ any fee, commission, percentage gift or other consideration contingent upon or resulting from the award or making of a contract with the JHFA.

The Financial Advisor will not be able to participate in the underwriting of bonds issued during the firm's employment with the JHFA. This restriction includes secondary market transactions.

The Financial Advisor will not enter into or maintain any business relationship with any person or firm involved in the municipal bond business, including performing services for the JHFA if such business relationship would constitute a conflict of interest. The Financial Advisor will promptly disclose to the JHFA in writing all business relationships which might constitute a conflict of interest so that the JHFA can make a binding determination concerning the existence or nonexistence of any conflict of interest.

The JHFA desires the fee and cost proposal of respondents to include proposed annual Flat Fee, payable on a regular periodic basis for all general services, and all services for single family and multifamily bond issues generally described in Section II above. All out of pocket costs and travel costs shall be on a reimbursable basis. Attached hereto is a form labeled Attachment A for the Annual Flat Fee for all general services, and all services for single family and multifamily bond issues. The form includes a space for estimated Out of Pocket Expenses and Travel Expenses which shall be based upon an annual basis for general services exclusive of any such expenses relating to bond issues.

A. Annual Flat Fee for General Services

Clearly state your proposed Annual Flat Fee and the basis for periodic payment (i.e. semi-annually, quarterly, etc.). This fee is intended to be all-inclusive of general services to the JHFA on an ongoing basis as the same may arise from time to time for those services generally described in Section II A and B above. This fee is exclusive of travel and other reimbursable costs. If you believe there are any specific exclusions or exceptions to the all-inclusive nature of these services and this annual flat fee arrangement, please specifically set forth any such exceptions and please state your hourly rate for such excluded general services.

B. Out of Pocket Expenses

Such expenses include, but are not limited to the actual and reasonable cost of postage, delivery services, express mail, long distance telephone, document reproduction, and special studies or subcontracted services, but only if such special studies or subcontracted services are expressly approved in advance by the JHFA.

C. Travel Expenses

Your proposed expenses should cover estimates for travel (breakdown for number of trips, destination, coach air fare, meals, single room rate for lodging, vicinity transportation such as cab fare or car rental, etc.). All such travel expenses shall be reimbursed from proceeds from the bond issues.

D. Expenses Relating to Bond Issues

1. If it is deemed to be financially inadvisable to sell a proposed bond issue or proceed with any other financing program at any time during the term of the contract, or such bonds are not sold or other financing program consummated because of market conditions or otherwise, the Financial Advisor will be paid by the JHFA for "Out of Pocket" expenses and travel expenses upon proper invoice rendered as set forth in B and C above. Such costs will be paid from legally available funds of the JHFA.
2. If the bonds are sold or other financing program consummated the following expenses will be paid to the Financial Advisor or reimbursed from the proceeds of the bond issue or other legally available funds of the JHFA.
 - (a) The Financial Advisor will be paid by the JHFA for "Out of Pocket" expenses and travel expenses upon proper invoice rendered as set forth in Paragraph B and C above.
 - (b) The Financial Advisor may pay the cost of printing the bonds and the official statement. In such case, the JHFA will reimburse the Financial Advisor for the actual costs incurred in connection with the printing upon proper invoice rendered. In the alternative, actual costs of printing the bonds may be invoiced directly by the Financial Advisor to the JHFA.
 - (c) Actual charges of security rating agencies shall be borne by the JHFA directly.
 - (d) Out of Pocket costs of any informational meetings authorized by the JHFA shall be paid by the Financial Advisor and reimbursed by the JHFA upon proper invoice rendered. Travel expenses will be reimbursed only if the meeting is held elsewhere than the City of Jacksonville.
 - (e) Advertisements of the "Notice of Sale" will be reimbursed by the JHFA on an actual cost basis. Any costs of the Financial Advisor incurred which are not specifically provided for herein to be at the expense of the JHFA, shall be paid by the Financial Advisor.
 - (f) Incidental costs incurred in executing and delivering the bonds shall be borne directly by the JHFA.
3. Fee and expense methods of calculations, rates or estimated total maximum amounts shall not be binding upon the JHFA. Any and all of the foregoing shall be subject to negotiation and mutual agreement. The JHFA specifically reserves the right to negotiate, accept or reject any proposed fee or expense which is not reasonable, necessary and acceptable to the JHFA for the proposed financing.

Respondents should generally be cognizant that the proposal will be evaluated in accordance with the criteria described in Section VI and accordingly should structure responses to these criteria so as to properly address each criteria. Be certain to include the following information in your proposal either as a part of the response to the criteria or otherwise.

1. Name of company, address, telephone, and contact person.

2. Any of the above services which are not to be included as part of your service as Financial Advisor should be designated in your proposal.
3. Please give us a brief history of your firm, including the year organized, ownership, affiliated companies and relationships and the approximate number of employees. Please also disclose the level of equity capital of your firm.
4. After receiving necessary data from the JHFA, how many days will be needed to furnish the JHFA with your basic financial plans for a single family bond issue?
5. Please provide a listing of financial advisory services that your firm has provided over the past five years which involved housing finance bonds.
6. Name and experience of individuals who work directly with representatives of the JHFA.
7. Please describe your firm's underwriting experience, if any, which would augment your firm's services as financial advisor to the JHFA.
8. Generally describe your firm's capabilities and your approach and strategy in structuring the financing plan.
9. Give the location of the office from which the work is to be performed.
10. Please provide client references.
11. Name up to three (3) Florida housing finance authorities to which you currently provide similar services.
12. Name any Florida housing finance authorities that, during the last five (5) years, have terminated your firm's contract prior to its natural expiration, and state the reason for such termination.

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SCOPE OF SERVICES:

The Jacksonville Housing Finance Authority (the “JHFA”), established under Part IV of Chapter 159, Florida Statutes and Chapter 52 of the Ordinance Code of the City of Jacksonville, hereby solicits written proposals from qualified firms in order to select a firm to serve as its Bond Counsel (sometimes referred to herein as “Consultant” or “Bond Counsel”).

The Bond Counsel would serve the JHFA on all single-family financings and multifamily financings as well as all other matters involving JHFA participation in financings of affordable housing in Duval County, Florida, on an as needed basis only when such matters require the special expertise of bond counsel familiar with a wide range of housing bond financing matters. The bond counsel shall work closely with the JHFA’s attorney.

Although the JHFA primarily uses tax-exempt bond issues as its principal financing approach, the JHFA also has available cash funds that it may desire to use on a loan, credit enhancement or other basis in order to achieve maximum financial leverage and to recycle the funds for future financings. The JHFA may also be interested, at some point in the future, in potential refunding plans to lower debt service on any of its prior bond issues.

The JHFA does not guarantee any specific level of service and makes no representation or warranty as to any future level of service.

Qualified organizations are invited to submit a statement of qualifications describing their ability to carry out the individual activities outlined below.

- A. Advising the JHFA as to the legal feasibility of any financing program proposed by JHFA’s financial advisor, underwriters or developer’s representatives and advising as to compliance of the program with applicable law and pending or proposed revisions in the law, including the Internal Revenue Code and regulations.
- B. Advising as to procedures, required approvals and filings, schedule of events for timely issuance, potential cost-saving techniques and other legal matters relative to issuance of the bonds, whether the financing is undertaken by competitive bid or negotiated sale, or whether involving 501(c) (3) organizations or otherwise.
- C. Attending conferences of JHFA officials, staff members, the JHFA’s financial advisor and, if a negotiated sale is undertaken, representatives of the JHFA’s underwriters, when so requested.
- D. Attend monthly meetings and special meetings of the JHFA, JHFA subcommittee meetings and, on an as-needed basis attend any meetings of the City Council or its committees;
- E. Preparing a bond resolution and award resolution (and any other necessary resolutions such as an inducement resolution for a multi-family project) and any amendments thereto in order to authorize and issue the bonds.
- F. Preparing any trust indenture; escrow deposit agreement; trustee, registrar or paying agent agreement; and any other agreements or similar documents necessary, related or incidental to the financing.

- G. Preparing all pleadings (e.g. complaint, notice of service, proposed answer, memorandum of law, proposed order, etc.) and conducting the validation hearing and any appeals related thereto or arising there from, only if validation is recommended by Bond Counsel or the JHFA's counsel.
- H. If sale is by competitive bid, with assistance of the financial advisor preparing the notice of sale, Preliminary Official Statement and Official Statement, and assisting with the evaluation of bids, and preparing any other documentation or action necessary to conduct a sale of the bonds in that manner.
- I. If sale is by negotiated sale, assisting in preparation of the Preliminary Official Statement and Official Statement and reviewing the bond purchase agreement and other documentation or action necessary to conduct a sale of the bonds in that manner.
- J. Preparing, obtaining, delivering and filing all closing papers necessary in connection with the sale and issuance of the bonds, including, but not limited to, certified copies of all minutes, ordinances, resolutions and orders; certificates such as officers, seal, incumbency, signature, no prior pledge, arbitrage and others; continuing disclosure agreements; notices and filings with the State Division of Bond Finance and Internal Revenue Service and verifications, consents and opinions from accountants, special Bond Counsels and attorneys.
- K. Issuing standard, comprehensive bond counsel opinion(s) as to the legality of the bonds, the security for their payment and the exemption or exclusion from federal income taxation of the interest on the bonds.

The Bond Counsel that is selected must warrant that it has not employed or retained by a company or person, other than a bona fide employee working solely in its employ, to solicit or secure a contract with the JHFA and that it has not paid or agreed to pay any person, company, corporation, individual or firm other than a bona fide employee working solely in its employ any fee, commission, percentage, gift or other consideration contingent upon or resulting from the award or making of a contract with the JHFA.

The Bond Counsel will not enter into or maintain any business relationship with any person or firm involved in the municipal bond business, including performing services for the JHFA, if such business relationship would constitute a conflict of interest or create a potential conflict of interest. The Bond Counsel will promptly disclose to the JHFA in writing all business relationships which might constitute a conflict of interest so that the JHFA can make a binding determination concerning the existence or nonexistence of any conflict of interest.

JHFA may terminate the contract for Bond Counsel for cause with prior written notice to Bond Counsel specifying the date of termination if JHFA determines, in its sole discretion, that Bond Counsel is or has engaged in a business relationship or engaged in a legal conflict adverse to JHFA (whether litigation or business-related) or any member of the consolidated government of the City of Jacksonville.

RFP Response should include the following:

A. Per Bond Rates

These rates shall be expressed as X amount per \$1,000 principal amount of bonds to be issued for (i) a hypothetical \$20,000,000 single family bond issue (and whether the rates change the higher or lower the amount of the issue); and (ii) a hypothetical \$20,000,000 multi-family project bond issue (and whether the rates change the higher or lower the amount of the issue), together with sub-contracting costs (if any – please specifically identify) and travel and reimbursable expenses. Please include any proposed minimum or maximum fee. It is understood and agreed that attendance at JHFA meetings and any City Council meetings is included in this fee.

B. Hourly Rates

Set forth all present applicable hourly rates that you may charge during the term of the engagement for services rendered outside of a specific bond transaction, and identify the work if possible. For example, you may set forth hourly rates for partners, associates, paralegals, etc. Also, you may set forth hourly rates which differ based upon court preparation and court appearances, conference time, travel time, document drafting, etc. Do not use “blended” hourly rates.

C. Reimbursable Expenses

Your proposed reimbursable expenses should cover estimates for travel (air fare, meals, lodging, etc.), reproduction, postage, long distance telephone, air express charges, and other “out of pocket” reimbursable expenses, including any surcharge or billing charge associated therewith. Travel expenses will be adjusted in accordance with the City Ordinance Code and Rules promulgated thereunder. Also, include any substantial costs for services to be performed on a subcontracted basis.

D. Negotiation

Proposed per bond rates, hourly rates and reimbursable expense estimates shall not be binding upon the JHFA. Any and all of the foregoing shall be subject to negotiation and mutual agreement except for travel reimbursement as specified in the Ordinance Code of the City of Jacksonville. The JHFA specifically reserves the right to negotiate, accept or reject any proposed per bond rates, hourly rates or reimbursable expenses which are not reasonable, necessary and acceptable to the JHFA.

Be certain to include the following information in your proposal transmittal cover letter or in the front of your proposal.

A. Name of firm.

B. Name of bond attorney(s).

C. Office street address, e-mail address, and telephone number for bond attorney(s).

- D. Member in good standing of The Florida Bar, Bar number, and date of admission thereto.
- E. Member in good standing of other bars, bar numbers, and dates of admission.
- F. Whether the attorney is identified by name in The Bond Buyer's most recent Directory of Municipal Bond Dealers in the section entitled "Municipal Bond Attorneys of the U.S." by identifying edition and page number.
- G. If that bond attorney intends to use the services of any other law firms or attorneys (whether as bond co-counsel, tax counsel or special counsel or otherwise, which role shall be clearly identified), then the bond attorney must submit the above information for each and every such law firm or attorney, as applicable, with and as a part of your proposal. Each such information sheet shall identify, at the top of the front page, the role of the law firm or attorney with the title heading "Bond Counsel," "Tax Counsel" or otherwise as applicable. Also, it shall include a brief statement as to the need for and benefit to the JHFA as a result of these additional or specialized services. The bond attorney shall not be allowed to use any other law firm or attorney, either in addition to or in substitution of, those clearly identified in the bond attorney's proposal unless and until the bond attorney shall provide in writing reasonable justification for any such addition or substitution along with all rates, charges and total maximum amount thereof, and shall have received written approval thereof by the JHFA.
- H. Identify and briefly explain any situation where the bond attorney or his or her firm have rendered any opinion as to the tax-exempt status of bonds and those bonds later declared or determined to be taxable or that opinion was subsequently challenged by the IRS.
- I. State whether the bond attorney or a partner or principal in his or her firm ever declared personal bankruptcy.
- J. Identify and briefly explain any project in which the bond attorney or his or her firm acted as developer or had an ownership interest in a project that was financed, in whole or in part, with tax-exempt financings.
- K. Give the location of the office from which the work is to be performed.
- L. Please provide client references.
- M. Name up to three (3) Florida housing finance authorities to which you currently provide similar services.
- N. Name any Florida housing finance authorities that, during the last five (5) years, have terminated your firm's contract prior to its natural expiration, and state the reason for such termination.

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SCOPE OF SERVICES:

I. General Information

The Jacksonville Housing Finance Authority (the "JHFA"), established under Part IV of Chapter 159, Florida Statutes and Chapter 52 of the Ordinance Code of the City of Jacksonville, hereby solicits written proposals from qualified firms in order to select a firm to serve as its Trustee/Registrar/Paying Agent (sometimes referred to herein as "Trustee" or "Consultant").

The Trustee would serve in a full-services capacity, serving the JHFA as needed on all single-family and multi-family financings as well as all other matters involving JHFA participation in financings of affordable housing in Duval County, Florida.

Since 1980, the JHFA (or its predecessor, the Duval County Housing Finance Authority) has issued 24 single family issues in total principal amount in excess of \$730 million, and 38 multi-family projects in excess of \$391 million. The most recent single-family issue was 2010. There are no single-family issues outstanding. The last multi-family issue was 2017. There are projects totaling over \$125 million awaiting closing as of May 2018.

The JHFA does not guarantee any specific level of service and makes no representation or warranty as to any future level of service.

II. Scope of Work:

Qualified organizations are invited to submit a statement of qualifications describing their ability to carry out the individual activities outlined below.

1. The institution shall have the capability of performing all the required duties as trustee/registrar, transfer agent, paying agent, authenticating agent, document custodian and similar services to facilitate the issuance of fully registered single family and multi-family mortgage revenue bonds of the JHFA, in certificated or book entry form, and to perform similar or dissimilar necessary services with respect to other financing programs of the JHFA.
2. The institution shall maintain a facility for the physical receipt and delivery of securities in the borough of Manhattan in New York City, New York. Institutions which do not maintain New York facilities shall permit the name of the subcontractor to be disclosed in the official statement issued by the JHFA.
3. The institution shall adapt the recommended certificate format of the American National Standardization of the Registered Securities Certificates.
4. The institution must be willing to comply with guidelines for disclosure of information to the secondary market as recommended by the Association of Local Housing Finance Authorities or such rules promulgated by an agency of the federal government.
5. The institution should have successfully furnished similar services for other housing finance authority tax exempt and taxable bond issues.

6. The institution shall employ and make available adequate qualified staff to provide all the services required.
7. The institution shall provide bond destruction reports annually which detail bond numbers for all certificates destroyed.
8. The institution shall provide services to the JHFA in accordance with the requirements of the Ordinances and/or Resolutions which authorize issuance of the bonds or other financing and appropriate the money.
9. The JHFA acknowledges that the institution may enter into subcontracts, understandings, and agreements from time to time as it deems necessary or appropriate to perform the required services; however, the JHFA reserves the right to approve any such subcontractors proposed to be utilized by the institution and impose upon them any insurance and indemnification requirements as deemed necessary. No such contract or agreement shall discharge the institution from its obligation to the JHFA. Fees for such subcontractors will be paid by the Trustee from Trustee fees.
10. If so directed by the JHFA, the institution will comply in full with the Depository Trust Company's (DTC) requirements for DTC acceptance. In addition, the institution will comply with any future DTC acceptance requirements if requested by the JHFA, provided however the institution reserves the right to negotiate and required changes to the agreement should any future DTC compliance impose additional costs.
11. The institution shall have capability to act as a trustee for custody and investment of bond funds and such other duties as required by the Trust Indenture.
12. Please indicate if your institution provides arbitrage rebate calculation services. If so, please provide a separate fee quote for these services.
13. The Institution will be required to send qualified representatives to each monthly and special meeting of JHFA and any JHFA subcommittee meetings; and as needed to attend meeting of City Council or its committees.

The institution that is selected must warrant that it has not employed or retained a company or person, other than a bona fide employee working solely in its employ, to solicit or secure a contract with the JHFA and that it has not paid or agreed to pay any person, company, corporation, individual or firm other than a bona fide employee working solely in its employ any fee, commission, percentage gift or other consideration contingent upon or resulting from the award or making of a contract with the JHFA.

The institution will not be able to participate in the underwriting of the bonds issued during the firm's employment with the JHFA. This restriction includes secondary market transactions.

The institution will not enter into or maintain any business relationship with any person or firm involved in the municipal bond business, including performing services for the JHFA if such business relationship would constitute a conflict of interest. The institution will promptly disclose to the JHFA in writing all business relationships which might constitute a conflict of

interest so that the JHFA can make a binding determination concerning the existence or nonexistence of any conflict of interest.

1. The Services will be initially provided based upon an acceptance fee (which shall include fees and expenses for counsel to the institution) and an annual fee applied to the outstanding principal amount of the bonds or other financing program. Thereafter, any changes in fees will be by mutual agreement of the institution and the JHFA.
2. In addition to the charges and fee specified above, the JHFA intends to pay the institution's reasonable out-of-pocket expenses involved in participating in the closing of the bond issue, including legal fees. The JHFA will also pay any direct cost of termination of services pursuant to this agreement, provided that the bank or trust company will cooperate fully in transferring its records, including all computer stored records, to any successor institution so as to minimize any startup costs for any successor institution. The institution will make available its records for audit of any charges billed to the JHFA. The JHFA will pay for all such out-of-pocket costs, expenses, and disbursements based upon actual costs and usage of materials and for additional services involved, at the institution's standard rates then in effect.
3. In addition to any other charges specified hereunder, the institution will assess and collect from the transferors of any bond any sales and/or use tax, transfer tax, excise tax, tariff duty, property tax or any other tax or payment in lieu thereof imposed by any governmental authority or agency with respect to services or the subject thereof.
4. The institution will charge the program annually (or other mutually agreed upon period) in arrears for all charges and fees. The first charge shall represent the acceptance fee in addition to certain costs involved with respect to the bond or other financing program closing and will be charged to the "Cost of Issuance Account." The second charge and all subsequent annual charges shall be based upon a fixed percentage applied to the then outstanding principal amounts and will be charged to the appropriate account as directed by the trust indenture.
5. Fee and expense methods of calculation, rates or estimated total maximum amounts shall not be binding upon the Trustee/Registrar/Paying Agent or the JHFA. Any and all of the foregoing shall be subject to negotiation and mutual agreement. The JHFA specifically reserves the right to negotiate, accept or reject any proposed fee or expense which is not reasonable, necessary and acceptable to the JHFA for the proposed financing.

Respondents should generally be cognizant that the proposal will be evaluated in accordance with the criteria described in Section VI and accordingly should structure responses to these criteria so as to properly address each criteria. Be certain to include the following information in your proposal either as a part of the response to the criteria or otherwise.

1. A listing of a representative sample of registered tax exempt and taxable bond issues for housing finance authorities for which the institution now serves as Trustee/Registrar/Paying Agent. Include in the list how long the relationships have existed and what services are provided.

2. A listing of any relationships as Trustee/Registrar/Paying Agent which have been terminated by the issuer or institution. Describe in whatever detail deemed necessary the reasons for the termination of any such relationships.
3. A description of the greatest strengths the institution could bring to this agreement.
4. The institution's proposed fee schedule and estimated expenses relating to issuance and closing and, if applicable, arbitrage rebate calculations.
5. The current combined capital, surplus, and undivided profits of the institution and the latest available statements of condition and annual report.
6. A description of the qualifications and experience of the personnel who would be assigned to this account and the location of the trust office in which the services would be located.
7. A description of the institution's internal standards and procedures as paying agent which are designed to insure timely payment of principal and interest. Include a description of your record in complying with these standards.
8. If the institution proposes to use the services of a subcontractor, appropriate answers to items V. 1, 2, 3, 4, 5, 6 and 7 should be provided for the subcontractor.
9. Please give client references.
10. Any of the Services described in Section II which are not to be included as part of your services should be designated in your proposal.

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SCOPE OF SERVICES:

The Jacksonville Housing Finance Authority (the “JHFA”), established under Part IV of Chapter 159, Florida Statutes and Chapter 52 of the Ordinance Code of the City of Jacksonville, hereby solicits written proposals from qualified firms in order to select a firm to serve as its Underwriter (sometimes referred to herein as “Underwriter” or “Consultant”).

The Underwriter would serve the JHFA as needed on any single-family financings and multi-family financing as well as all other matters involving JHFA participation in financings of affordable housing in Duval County, Florida.

Although the JHFA primarily uses tax-exempt bond issues as its principal financing approach, the JHFA also has available cash funds that it may desire to use on a loan, credit enhancement or other basis in order to achieve maximum financial leverage and to recycle the funds for future financings. The JHFA may also be interested, at some point in the future, in potential refunding plans to lower debt service on any of its prior bond issues.

The JHFA has obtained the services of a Financial Advisor and will maintain the services of a Financial Advisor during the term of the Underwriter’s contract. The Underwriter shall be required to work cooperatively with the JHFA’s Financial Advisor so as to assist in the overall financing program efforts of the JHFA and, along with the JHFA’s selected bond counsel, to serve as part of a coordinated “financing team”. As background, services to be provided by the Underwriter shall include, but are not limited to, the following:

A. General Matters.

1. Attend monthly meetings and special meetings of the JHFA, JHFA subcommittee meetings and, on an as-needed basis attend any meetings of the City Council or its committees;
2. As needed, consult with members of the JHFA and its staff, and bond counsel, underwriters, trustee and other providers of professional services or consulting services;
3. Review, analyze and make recommendations with respect to housing proposals made to the JHFA by developers, non-profit community groups or others;
4. Provide information and advice to the JHFA from time to time concerning the JHFA’s investment of available funds, general economic conditions, housing market conditions, and proposed tax law changes;
5. Provide information, advice and assistance to the JHFA from time to time in its general operations concerning matters that may affect the interests of the JHFA.

B. Services related to Bond Issues.

The below services pertain generally to single-family bond issues and multi-family bond issues of the JHFA, but may apply to any projects involving participation of the JHFA where the JHFA is using any of its available funds as a loan, credit enhancement or otherwise.

1. Analyze the financial and the other economic factors relating to the JHFA and issuance of the proposed bonds.
2. Determine if the JHFA should proceed with any plan to issue such bonds based upon the JHFA's bonding authority, bond volume cap allocation, time schedule, available revenues and similar related factors.
3. Provide advice to the JHFA regarding the feasibility of the various financing methods available in the issuance of bonds, and if feasible, to provide advice and recommendations to the JHFA as to the most advantageous method of structuring the financing and the marketing of the bonds, such as sale of bonds (or notes) by competitive bidding or negotiated sale.
 - (a) If competitive bidding is advised, assist the JHFA and bond counsel in preparing the notice of bond sale, bid form and preliminary and final Official Statements.
 - (b) If a negotiated sale is advised, make recommendations as to the number of underwriters that should be used to assure an optimum sale of the bonds, recommend whether to accept or reject the offer of the underwriters, and review the preliminary and final Official Statements prepared by the underwriters.
4. Services if the bond issue is determined to be feasible and is authorized by the JHFA.
 - (a) Meet with representatives of the JHFA and with the parties designated for such purposes by the JHFA at all reasonable times after reasonable notice.
 - (b) Recommend the necessary provisions and covenants of the JHFA to be contained in the bond resolutions including but not limited to bond amounts, dates, maturities, interest rates, redemption provisions, flow of funds, debt service coverage requirements, reserve funds, rates and charges, security pledges and conditions relating to the issuance of any additional bonds.
 - (c) Coordinate work with the JHFA's attorney and bond counsel regarding the financial and security provisions to be contained in the instruments authorizing and securing the bonds and to attend hearings and otherwise assist, to the extent reasonable, necessary and proper, in matters required by administrative, judicial, legislative and other governmental bodies, including testimony, exhibits and services as an expert witness in the proceedings to validate the bonds.

- (d) Assist the JHFA in method of allocation of bonds.
- (e) Prepare any necessary illustrations, charts, graphic presentations and other information of use to the public, underwriters and potential investors.
- (f) Prepare information necessary to obtain a favorable bond rating and, if necessary, make presentation of this information to the bond rating organizations.
- (g) Assist in the preparation of the Preliminary and final Official Statement and distribute the same to potential underwriters, rating agencies and large investors. The official Statement should be presented in a form familiar to bond underwriters and should include but is not limited to the following:
 - (1) Notice of bond sale, specifying necessary bidding requirements (if applicable).
 - (2) The official bid form (if applicable).
 - (3) History and description of the JHFA and the source of its authority to issue bonds.
 - (4) Description of the purpose of the issue, its security, credit enhancement, synopsis of its covenants and remedies for the protection of the bondholders, tables of historic revenues and coverage, and such other matters as are customarily disclosed and set forth in an official statement presenting a comparable issue of bonds.
 - (5) A reprint of the bond authorizing resolution, and such other related resolution and documents as the JHFA deems necessary and desirable.
 - (6) Information necessary for compliance with full disclosure requirements.
 - (7) Initiate and conduct an information program designed to stimulate interest of underwriters and investors to purchase the bonds.
 - (8) Attend any sale of the bonds and advise the JHFA whether awarding the sale of bonds to the buyer is in the best interest of the JHFA.
 - (9) Advise and assist the JHFA in arranging for printing, execution, and signing and delivery of the bonds and in closing after the bond sale, including scheduling and arranging for the investment of proceeds of the bond sale in compliance with arbitrage regulations.

A. Qualified organizations are invited to submit a statement of qualifications describing their ability to carry out the individual activities outlined below.

1. The Underwriters which may be selected will be responsible for performing all the normal duties of managing Underwriters for a competitive or negotiated bond sale. These duties are generally defined in the Municipal Securities Rulemaking Board ("MSRB") rules. From the respondents to the Request for Proposals, the JHFA will select a senior manager. The senior manager will in turn secure the services of one or more co-managers as deemed appropriate by the JHFA and based upon the recommendations of the senior manager and the JHFA's financial advisor. To the extent that an Underwriter may be chosen to act as either senior manager or co-manager for the Underwriters, the responsibilities will be different, as explained in the MSRB's rules.
2. The Underwriters will be encouraged to address a desire on the part of the JHFA to distribute bonds to local underwriting firms that have the capacity to adequately market such bonds to the best advantage of the JHFA.

B. Restrictions

1. The Underwriter that is selected must warrant that it has not employed or retained a company or person, other than a bona fide employee working solely in its employ, to solicit or secure a contract with the JHFA and that it has not paid or agreed to pay any person, company, corporation, individual or firm other than a bona fide employee working solely in its employ any fee, commission, percentage, gift or other consideration contingent upon or resulting from the award or making of a contract with the JHFA.
2. The Underwriter will not enter into or maintain any business relationship with any person or firm involved in the municipal bond business, including performing services for the JHFA if such business relationship would constitute a conflict of interest. The Underwriter will promptly disclose to the JHFA in writing all business relationships which might constitute a conflict of interest so that the JHFA can make a binding determination from the appropriate disclosures concerning the existence or nonexistence of any conflict of interest.

The JHFA desires the fee and cost proposal of respondents to include two (2) separate and distinct elements as follows:

A) a Per Bond Rate for fee, exclusive of travel or other reimbursable costs, expressed as X amount per \$1,000 principal amount of bonds to be issued for (i) single family bond issues, (ii) single or multi-family projects of the JHFA using available funds and (iii) multi-family bond issues for private developers on a conduit financing basis; and (B) Hourly Rate(s) for a hypothetical \$20,000,000 single-family mortgage revenue bond issue of the

JHFA including sub-contracting costs (if any) and travel and reimbursable expenses as required.

A. Per Bond Rate

This rate or these rates shall be applicable to all of the various bond issues, or any other similar financing programs of the JHFA. The rate(s) shall be expressed as X amount per \$1,000 principal amount of bonds issued. The rate(s) shall be applicable to (i) single-family bond issues, (ii) single or multi-family projects of the JHFA using its available funds, and (iii) multi-family bond issues of private developers with the JHFA serving as a conduit financing vehicle. The rate(s) shall be paid only if bonds are issued or upon closing if the financing is of a non-bond nature using available funds. Travel and reimbursable shall be as follows:

1. If it is deemed to be financially inadvisable to sell a proposed bond issue or proceed with any other financing program at any time during the term of the contract, or such bonds are not sold or financing program consummated because of market conditions or otherwise, the Underwriter will be paid by the JHFA for “Out of Pocket” expenses upon proper invoice rendered, such as authorized travel, transportation, telephone costs and related costs necessarily incurred as underwriter. Such costs will be paid as a cost of issuance.
2. If the bonds are sold or other financing program consummated the following expenses will be paid to the Underwriter or reimbursed from the proceeds of the bond issue or other legally available funds of the JHFA.
 - (a) The Underwriter will be paid by the JHFA for “Out of Pocket” expenses as set forth in Paragraph 1 above.
 - (b) The JHFA or its Financial Advisor will pay the cost of printing the bonds and the official statements. Actual costs of printing other documents or advertisements of notice of sale will be borne by the JHFA directly.
 - (c) Incidental costs incurred in executing and delivering the bonds shall be borne directly by the JHFA.
 - (d) Actual charges of security rating agencies shall be borne by JHFA directly.
 - (e) Incidental costs of any informational meetings authorized by the JHFA and held elsewhere than in the City of Jacksonville shall be paid by the Underwriter. Such costs shall not include travel or transportation costs of representatives of the JHFA traveling to such meetings, or any allowance for time of attendance of representatives of the Underwriter at such meetings.

(f) Any costs of the Underwriter incurred which are not specifically provided for herein to be at the expense of the JHFA, shall be paid by the Underwriter.

(g) Fee of Underwriter.

B. Hourly Rate(s)

Using a hypothetical \$20,000,000 single family mortgage revenue bond issue, set forth your present applicable hourly rates and state your proposed fee and expense estimate, each of which shall show a maximum not to exceed estimated amount and then a sum total not to exceed estimated amount for both fee and expenses.

Your proposed fee shall be based upon an hourly rate or hourly rates. Set forth all hourly rates that you may charge during the term of the contract. For example, you may want to set forth hourly rates for partners, associates, assistants, etc. Also, you may want to set forth hourly rates which differ based upon specific underwriting services, conference time, travel time, documents review, etc.

Your proposed expenses should cover estimates for travel (breakdown for number of trips, destination, airfare, meals, lodging, etc.), reproduction, postage, long distance telephone, air expense charges, and other "out of pocket" reimbursable expenses, including any surcharge or billing charge associated therewith.

Fee and expense methods of calculation, rates or estimated total maximum amounts shall not be binding upon the Underwriter or the JHFA. Any and all of the foregoing shall be subject to negotiation and mutual agreement. The JHFA specifically reserves the right to negotiate, accept or reject any proposed fee or expense which is not reasonable, necessary and acceptable to the JHFA for the proposed financing.

Respondents should generally be cognizant that the proposal will be evaluated in accordance with the criteria described in Section VI and accordingly should structure responses to these criteria so as to properly address each criteria. Be certain to include the following information in your proposal either as a part of the response to the criteria or otherwise.

1. Name of company, address, telephone, and contact persons.
2. Any of the above services which are not to be included as part of your service as Underwriter should be designated in your proposal.
3. Please give us a brief history of your firm, including the year organized, ownership, affiliated companies and relationships (including joint ventures), and the approximate number of employees. Please also disclose the level of equity capital of your firm.

4. After receiving necessary data from the JHFA, how many days will be needed to furnish the JHFA with your basic financial plans for a single family bond issue?
5. Please provide a listing of underwriting services that your firm has provided over the past five years. Please also indicate those engagements which involved housing finance bonds.
6. Name and experience of individuals who would work directly with representative of the JHFA.
7. Generally describe your firm's capabilities and your approach and strategy in structuring the financing plan.
8. Give the location of the office from which the work is to be performed.
9. Please provide client references.
10. Name up to three (3) Florida housing finance authorities to which you currently provide similar services.
11. Name any Florida housing finance authorities that, during the last five (5) years, have terminated your firm's contract prior to its natural expiration, and state the reason for such termination.

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THE HENDRICKSON COMPANY & COMMUNITY CONCEPTS GROUP

To: Board of Directors, Jacksonville Housing Finance Authority

From: Mark Hendrickson & Susan Leigh, Financial Advisors

Subject: June 18, 2018 JHFA Meeting

Date: June 7, 2018

I. 2018 Bond Allocation—Informational

1. The 2018 allocation is \$48,155,194, an increase of \$3,143,590 (7.0%) over 2017:

Year	Single Family Amount	Multifamily Amount	Unallocated	Expiration
2018			\$48,155,194	
2017	\$50,000,000	\$156,500,000		December 31, 2020
2016		\$119,900,000		December 31, 2019
2015	\$80,250,000			December 31, 2018
TOTAL	\$130,250,000	\$276,400,000	\$48,155,194	

2. Bond counsel is filing for \$50 million of single family allocation and \$14.2 million for Caroline Arms.
3. **Recommendation:** None.

II. 2013 Single Family Loan Program—Action

1. The **current program guidelines:**
- 1st mortgage: 5.0%, 1% origination fee, FHA, VA, RD, 5.25% for Freddie Mac loans & 5.00% for HHF loans
 - First time homebuyers.
 - Income and Sales Price limits identical to bond issue.
 - Minimum credit score of 640
 - Interest rate set by the HFA of Hillsborough County, with rate set at level that is anticipated to generate a premium when sold.
 - Loans purchased by the master servicer (US Bank) and converted into MBS.
 - MBS are purchased by the HFA of Hillsborough County, on behalf of all HFA's
 - MBS are sold, with each HFA keeping its pro rata share of any net premium or loss realized from the sale of the MBS.
 - Down payment assistance: \$7,500 second mortgage, due on sale of property, or maturity of first mortgage
 - Mortgage Credit Certificates providing homebuyers a credit in the amount of 50% of mortgage interest paid annually (up to a \$2,000 annually).

2. **DPA:** \$88,796 was received from FHFC. The JHFA has funded another \$1,306,010. The JHFA set the DPA amount at \$7,500 in effective January 2017. Loans totaling \$27,500 have paid in full.
3. **Hardest Hit Fund (HHF) DPA:** The HHF DPA Program (\$15,000 forgivable loan) ended April 24 when all funds were committed. **Two-hundred twelve (212) Jacksonville loans for \$29,965,395 are in the pipeline. With an average net profit of 2.25%, this will generate approximately \$675,000 of income, and bring \$3,180,000 of federal HHF funds to Jacksonville borrowers.**
4. **Authorized DPA Funds:** \$1,553,000 total:
 - \$250,000 authorized by the City Council
 - At the May 2015 meeting, the Board (using the power granted under the new legislation) increased the amount of available DPA funds by \$200,000.
 - In June 2015, the Board authorized the use of an additional \$400,000
 - In September 2017, the Board authorized the use of an additional \$703,000
 - FHFC reimbursed JHFA \$88,796, and \$27,500 have paid in full
 - Total originations to date are \$1,596,010—net of \$1,479,714
 - **Additional authorization for DPA is needed**
 - **Board consideration of using “net” amount of loans funded (total, less FHFC and payoffs) would be helpful**
5. **Current Program Volume:** The regular (non-HHF) JHFA program had its largest month for originations in May 2018—15 loans (\$112,500 of DPA). The previous high was 9 loans in both June and July 2015.
6. **Rate Change:** The interest rate was increased from 4.875% to 5.00% in March 2018.

7. **Program Demographics:**

Sales Price/ # Loans	Loan Amount	Borrower Income	Borrower Age/ Gender	Borrower Family Size	Housing Type	Borrower Ethnicity	MCC Amount
\$138,489 374 loans +29 loans	\$132,090	\$47,510	36.0 46% female	2.3	SF Detached 92% Condo: 2% Townhouse: 6% Existing: 97% New: 3%	Black: 27% White: 39% Hispanic: 19% Mixed: 1% Asian: 8% Other: 5%	\$13,850,971 \$61,559.87 avg. 225 buyers

8. **Lender Originations:** SWBC (100), Academy (98), Bank of England (50), Fairway (39), Prime (38), CMG (12), Pacific Union (14), Network Funding (6), Open (5), Ameris Bank (3), DHI (4), Resource Financial (1), Annie Mac (1) & GSF (1).
9. **MCC's:** The HFA converted \$120 million of bond authority into \$30 million of MCC's. Tranche 1 (\$5.25 million) expired at the end of 2015 with \$1,109,274 not utilized. Tranche 2 (\$10.0 million) expired at the end of 2016, with \$9,668,903 not utilized. Tranche 3 (\$14.75 million)

expires at the end of 2018. The Board authorized a conversion of the \$80,250,000 of single family bond allocation that will expire at the end of 2018 to MCC's (conversion will take place in June). The MCC's will be available for through December 31, 2020.

10. **MCC Program: What Does it Mean to Home Buyer:** With the HFA's average loan of \$132,000 and a 5.00%/30-year mortgage, interest payments in Year 1 = \$6,556. With the 50% MCC rate that the HFA has chosen, **the homebuyer would be able to claim a tax credit of the full \$2,000 per year maximum allowed by federal law** (slightly declining after year 10 as more of monthly payment is principal) until the home buyers sells or moves from the property. The \$2,000 of tax savings lowers the "functional" mortgage rate for the program from 5.00% to approximately 3.8%.
11. **MBS Sales:** The HFA has executed 85 sales, with net revenues of \$773,693 (net meaning after payments to RBC and counsel) coming to JHFA.
12. **Hedges & Exposure:** Hillsborough County has 30 hedges totaling \$43.4 million in place. With full delivery, the projected net revenues are estimated at \$1,082,801 (shared pro rata with counties based upon originations). The unhedged pipeline as of May 31 is \$0 (changes daily).
13. **Size of Program:** The initial legislation wherein City Council authorized the program limited it to no more than \$1.5 million of loans in pipeline at any time. In June, the Board changed the authorization to \$1.5 million of unhedged loans. Loans originated or in progress are \$49.195 million. **239 of the 372 loans in the program have originated this year.**
14. **Recommendations:** (1) Increase DPA allocation by amount to be determined after analysis of available funds by Laura Stagner, and (2) Authorize use of "net" calculation for determining DPA use.

III. Local Government Area of Opportunity Funding (Preference)—Informational

1. FHFC is likely to continue the LGAOF system for 2018-2019, Accordingly, JHFA will need to consider targeting goals by the August or September Board meeting.
2. **Recommendation:** None.

IV. New Rental Financings—Action

1. The 2018 bond NOFA had a due date of January 8, 2018—with no new applications received. The NOFA is now "open" to applications on a first-received first-evaluated basis.
2. **Caroline Arms** is scheduled to close in June 2018. The developer has requested issuance of bonds in an amount not to exceed \$14,200,000. The credit underwriting is complete, and the deal is ready for Board action. Bond counsel has prepared and distributed a resolution that gives final approvals necessary to sell and close bonds, including [summary only, please read resolution for full description]:

- Approval of substantially final forms of bond and loan documents (Preliminary Official Statement, Indenture of Trust, Loan Agreement (Borrower Note attached as an Exhibit), LURA, Compliance Monitoring Agreement, Construction and Loan and Servicing Agreement and Bond Purchase Agreement);
 - Approval of the estimated Cost of Issuance;
 - Approval of the final Credit Underwriting Report;
 - Authorization of the issuance of the Bonds (subject to the parameters in the Resolution) and sale to the Underwriter;
 - Official Appointment of RBC Capital Markets LLC as Underwriter in connection with the sale of the Bonds;
 - Official appointment of Seltzer Management Group, Inc. as compliance monitor and construction/loan servicer;
 - Official appointment of The Bank of New York Mellon Trust Company as Trustee; and
 - Authorization of appropriate Board members and members of the Issuer to execute documents and take all other actions necessary not inconsistent with the terms of the Resolution.
3. **Millennia Portfolio** was scheduled to close in May 2018. However, the developer is still negotiating with HUD as to the Section 8 rents that will be in place after renovation—and that rent level will impact appraised value and the amount of Housing Credits that they development will be able to claim. Until resolved, the deal will not be ready to close. The initial Preliminary Agreement expires June 30 and needs to be extended (recommend extension until October 23, 2018, the last day the deal can close without a new TEFRA hearing and approval). The developer has been cautioned against any delay in closing that would trigger the need for another TEFRA hearing and approval.
4. **The Waves:** is tentatively scheduled to close in late 2018.
5. **Desert Winds/Silver Creek:**
- An application was received on May 19 and was supplemented by answers to questions posed by the Financial Advisor, as well as additional documentation.
 - The financing is for the acquisition and rehabilitation of two 44-46-year-old Section 8 developments totaling 304 units located in Arlington/Southside (adjacent and operating as one entity for financial purposes). The financing sources are a first-mortgage and tax credit equity (no SAIL or local government funds).
 - Due to the configuration of the units and the budget limitations, some JHFA requirements, according to the developer, cannot be met. A waiver request letter is attached. Most waiver are not recommended.
 - A detailed analysis of the application is also attached.
 - The credit underwriting will include a Construction Needs Analysis (third party report ordered by the CU), which will determine if the proposed scope of rehabilitation is adequate. In any case, the proposed rehabilitation will significantly improve the property.
 - Seltzer Management has been assigned as the credit underwriter for this transaction. Seltzer is the best CU in terms of dealing with FHFC on acquisition tax credit issues.
6. **Recommendations**
- **Caroline Arms:** Adopt bond approval resolution prepared by bond counsel
 - **Millennia Portfolio:** Adopt 1st Amendment to Preliminary Agreement prepared by bond counsel, extending commitment to October 23, 2018,

- **Desert Winds/Silver Creek:** Approve Inducement Resolution prepared by bond counsel, subject to all conditions in the JHFA MF Handbook and the recommendations included in the full FA analysis of each application (part of the Board Packet), (2) Deny most Waiver Requests, subject to verification of cost feasibility by credit underwriter, as noted in full FA analysis, and (3) Approve Waiver Requests related to 30-year life roofing and requirement for 2 or more parking spaces per unit.

	The Waves	Caroline Arms	Desert Winds/Silver Creek
Developer/ Location	Jacksonville Housing Authority & Vestcor Jacksonville, FL	Lincoln Avenue Capital Santa Monica, CA	LEDIC Realty Management Montgomery, AL
Development Location	Nine scattered JHA public housing sites in Jacksonville Beach	6457 Fort Caroline Road Arlington	300 Silver Creed Trace Arlington/Southside
City Council District	Bill Gulliford	Joyce Morgan	Scott Wilson
Type	New Construction Garden	Acquisition & Rehabilitation Garden	Acquisition & Rehabilitation Garden
Bond Request	\$17,750,000 \$139,764/unit	\$14,200,000 \$69,608/unit	\$24,980,000 \$82,171/unit
TEFRA Hearing	2-28-18	4-2-18	TBD
TEFRA Approval	4-24-18	5-8-18	TBD
Preliminary Agreement Expiration	12-31-18	12-31-18	12-31-18
Credit Enhancement	Private Placement to SunTrust Bank	Cash Collateralized Short- Term Bonds Fannie Mae Permanent 1st	Cash Collateralized Short- Term Bonds FHA Permanent 1st
Credit Underwriter	First Housing	Seltzer	Seltzer
Closing Date	Late 2018	Summer 2018	Late 2018
Units	127	204	304
Permanent 1st Mortgage Estimate	\$6,600,000	\$14,100,000	\$24,980,000
SAIL, ELI, HOME (FHFC)	\$7,600,000	\$0	\$0
JHFA Loan	\$115,000	\$0	\$0
Housing Credits	Wells Fargo Bank \$7,799,289 \$61,416/unit	Pillar Financial (SunTrust) \$6,507,801 \$31,901/unit	PNC Real Estate \$9,939,553 \$32,696/unit
TDC	\$23,377,628	\$22,727,210	\$36,850,829
TDC per unit	\$184,076	\$111,408	\$121,220
Land Cost	\$0 \$1 per year lease	\$940,000 \$4,608/unit	\$2,820,000 \$9,276/unit
Acquisition of Building	NA	\$10,810,000 \$52,990/unit	\$15,980,000 \$52,566/unit
Hard Construction or Rehabilitation Cost	\$15,068,550 \$118,650/unit \$104.53/Sq. Ft.	\$5,596,291 \$27,432/unit \$32.31/Sq. Ft.	\$9,061,026 \$29,806/unit \$33.74/Sq. Ft.
Set Aside Period	50 years	50 years	50 years
Set Aside Levels	90%<60% AMI 10%<33% AMI	100%<60% AMI	98%<60% AMI 2% unrestricted

Current Name	Eureka Gardens I & II	Moncrief Village	Southside Apartments	Washington Heights
New Name	Valencia Way	Estuary Estates	Oyster Pointe	Charlesfort Commons
Revised New Name	Valencia Way	The Weldon	Palmetto Glen	Calloway Cove
Developer/Location	Millennia Housing Development Cleveland, OH	Millennia Housing Development Cleveland, OH	Millennia Housing Development Cleveland, OH	Millennia Housing Development Cleveland, OH
Street Address	1214 Labelle Street	1650 Moncrief Village North	2414 Westmont Street	4229 Moncrief Road W
City Council District	Garrett Dennis	Katrina Brown	Lori Boyer	Reginald Brown
Type	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation	Acquisition & Substantial Rehabilitation
Bond Request	\$38,780,000 \$96,950/unit	\$9,190,000 \$97,766/unit	\$7,160,000 \$96,757/unit	\$20,890,000 \$104,450/unit
TEFRA Hearing TEFRA Approval Preliminary Agreement Expiration	9-19-17 10-24-17 6-30-18	9-19-17 10-24-17 6-30-18	9-19-17 10-24-17 6-30-18	9-19-17 10-24-17 6-30-18
Credit Enhancement	R4 Private Placement	R4 Private Placement	R4 Private Placement	R4 Private Placement
Credit Underwriter	First Housing	First Housing	First Housing	First Housing
Closing Date	TBD	TBD	TBD	TBD
Units	400	94	74	200
Permanent 1 st Mortgage Estimate	\$38,780,000	\$9,190,000	\$7,160,000	\$20,890,000
SAIL/FHFC Funds	\$0	\$0	\$0	\$0
JHFA or City Loan	\$0	\$0	\$0	\$0
Housing Credits	R4 \$20,058,866 \$50,147/unit	R4 \$4,242,648 \$45,135/unit	R4 \$3,906,029 \$52,784/unit	R4 \$10,698,579 \$53,493/unit
Total Development Cost	\$64,042,483	\$14,327,577	\$12,440,322	\$34,755,018
TDC Per Unit	\$160,106	\$152,421	168,112	\$173,775
Land Cost	\$2,600,000 \$6,500/unit	\$600,000 \$6,373/unit	\$470,000 \$6,351/unit	\$1,600,000 \$8,000/unit
Acquisition of Building Cost	\$23,400,000 \$58,500/unit	\$5,400,000 \$57,447/unit	\$4,230,000 \$57,162/unit	\$14,400,000 \$72,000/unit
Hard Rehabilitation Cost	\$21,725,475 \$64.29/Sq. Ft. \$54,314/unit	\$4,186,400 \$77.93/Sq. Ft. \$44,536/unit	\$4,118,000 \$70.71/Sq. Ft. \$55,649/unit	\$10,196,161 \$56.60/Sq. Ft. \$50,981/unit
Set-Aside Period	50 years	50 years	50 years	50 years
Set-Aside Levels	100%<60% AMI	100%<60% AMI	100%<60% AMI	100%<60% AMI

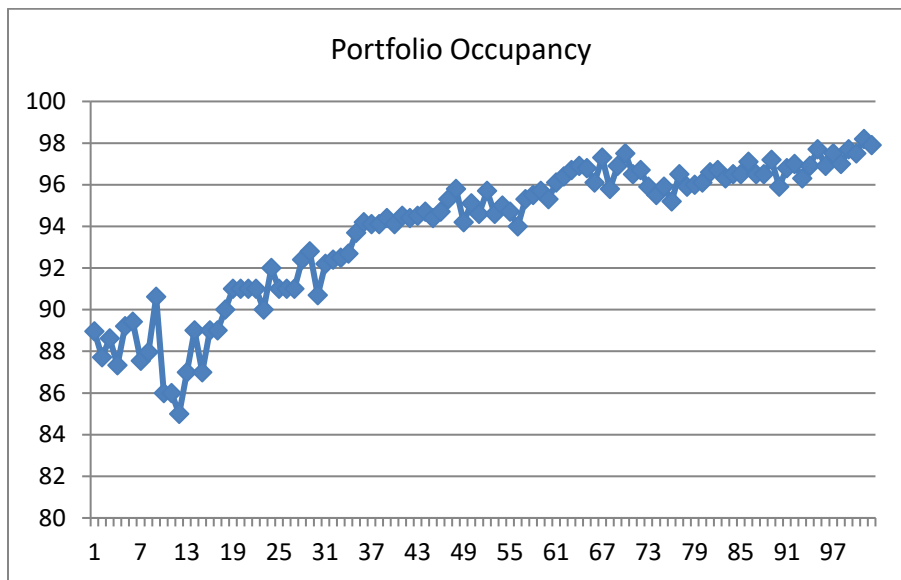
V. Update on Existing Rental Properties—Action

1. JHFA marketed its bonds, JHFA loans, and JHFA local government contributions to developers. As a result, the following has been accomplished in the last three years:

Development	Location	Building Type Demographic	Units	TDC	JHFA Loan
Peyton Ridge	1800 Corporate Square Blvd	3-Story Elevator NC Elderly	120	\$16,894,456	\$115,000
Caroline Oaks	North Main, east side just south of E. 43 rd Street	3-Story Elevator NC Elderly	82	\$14,146,603	\$5.6 million bonds \$2.2 million JHFA loan
Cathedral Terrace	701 N. Ocean St.	High Rise Rehab Elderly	240	\$25,604,057	\$12.5 million bonds \$1.0 million JHFA loan
Mt. Carmel Gardens	5746 Mt. Carmel Terrace	High Rise Rehab Elderly	207	\$21,631,853	\$9.75 million bonds
Mary Eaves	East of intersection of Myrtle Ave. N. & West 16 th St.	Mid-Rise NC Elderly	80	\$13,325,568	\$300,000
Lofts at LaVilla	906 West Bay Street	Mid-Rise NC Family	130	\$23,388,174	\$265,000
Lofts at LaVilla on Monroe	1000 West Monroe Street	Mid-Rise NC Family	108	\$20,962,615	\$303,750
Houston Street Manor	615 Houston Street	Mid-Rise NC Elderly	72	\$21,185,213	\$115,000
Timberwood Trace	12250 Atlantic Boulevard	Garden Rehab Family	224	\$31,238,140	\$16.0 million bonds
Oakwood Villa	8201 Kona Avenue	Garden Rehab Family	200	\$23,092,183	\$12.7 million bonds
Lofts at Jefferson Station	799 Water Street	Mid-Rise NC Family	98	\$20,943,699	\$225,750
TOTAL			1,561	\$232,712,561	\$56.55 million bonds \$4.525 million JHFA loans

2. **Occupancy:** The current portfolio occupancy using a weighted average is 97.9% (-0.3%). **The last two months have been the highest occupancy recorded in the 11.2 years of tracking.**
3. **Caroline Oaks** closed April 22, 2015. The Land Use Restriction Agreement included “marble window sills”. The developer selected other amenities with a point score well in excess of what the application requires. The developer did not include marble window sills, and this was not noted as an issue in the construction reports/inspections. The developer is requesting a formal waiver from the requirement.

4. **Caroline Oaks:** The Trust Indenture contains a provision that automatically increased the rate on the bonds in same percentage as any decrease in the corporate tax rate (which reduced by 21.54% in January. The bond owner has agreed to an amendment to the Trust Indenture removing the increase. This is advantageous to the financial strength of the transaction, and HFA approval is requested.
5. **Recommendation: Caroline Oaks:** (1) Approve waiver request removing “marble window sills” as a requirement of the development/LURA, and (2) Approve amendment to Trust Indenture related to removing automatic interest rate increase and authorize execution of amended Trust Indenture and related documents.



Jacksonville Housing Finance Authority

Credit Underwriting Report

Caroline Arms Apartments

Tax Exempt Bond Program

Section A	Report Summary
Section B	Loan Conditions
Section C	Supporting Information and Schedules

Prepared by

Seltzer Management Group, Inc.

Final Report

June 8, 2018

CAROLINE ARMS APARTMENTS

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Section A
Report Summary

Recommendation

Seltzer Management Group, Inc. ("SMG" or "Seltzer") recommends Jacksonville Housing Finance Authority ("JHFA" or "Authority") fund Multifamily Mortgage Revenue Bonds ("MMRB") in the amount of \$12,500,000 to Caroline Arms Apartments for its Acquisition and Rehabilitation.

DEVELOPMENT & SET-ASIDES

Development Name: Caroline Arms

RFA/Program Numbers: _____ / _____

Address: 6457 Fort Caroline Road

City: Jacksonville Zip Code: 03277 County: Duval County Size: Large

Development Category: Acquisition/Rehab Development Type: Garden Apts (1-3 Stories)

Construction Type: Concrete/Masonry

Demographic Commitment:

Primary: Family for 100% of the Units

Secondary: _____ for _____ of the Units

Unit Composition:

of ELI Units: 0 ELI Units Are Restricted to _____ AMI, or less. Total # of units with PBRA? 161

of Link Units: 0 Are the Link Units Demographically Restricted? _____ # of NHTF Units: _____

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Low HOME Rents	High HOME Rents	Gross HC Rent	Utility Allow.	Net Restricted Rents	PBRA Contr Rents	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1	1.0	40	592	60%			\$787	\$43	\$744	\$795	\$795	\$795	\$795	\$381,600
2	1.0	64	800	60%			\$945	\$52	\$893	\$905	\$905	\$905	\$905	\$695,040
2	1.0	16	800	60%			\$945	\$52	\$893		\$616	\$820	\$616	\$118,272
3	1.0	39	911	60%			\$1,090	\$55	\$1,035	\$1,040	\$1,040	\$1,040	\$1,040	\$486,720
3	1.0	21	911	60%			\$1,090	\$55	\$1,035		\$636	\$955	\$631	\$159,012
4	1.5	18	1,142	60%			\$1,216	\$61	\$1,155	\$1,200	\$1,200	\$1,155	\$1,200	\$259,200
4.0	1.5	6	1142	60%			\$1,216	\$61	\$1,155		\$646	\$1,055	\$646	\$46,512
		204	169,748											\$2,146,356

Buildings: Residential - 17 Non-Residential - 2

Parking: Parking Spaces - 394 Accessible Spaces - 18

Set Asides:

Program	% of Units	# of Units	% AMI	Term (Years)
MMRB	100.0%	204	60%	50
HC	100.0%	204	60%	30

Occupancy Rate at Stabilization: Physical Occupancy 97.00% Economic Occupancy 96.75%
Occupancy Comments Development stabilized at completion of renovations

DDA: No QCT: No Multi-Phase Boost: _____ QAP Boost: _____

Site Acreage: 13.00 Density: 15.6923 Flood Zone Designation: X

Zoning: RMD-D Flood Insurance Required?: No

DEVELOPMENT TEAM		
Applicant/Borrower:	Caroline Arms Preservation, LTD ("Borrower")	% Ownership
General Partner	Affordable Housing Institute, Inc. ("AHI")	0.005%
Limited Partner	Synovus Bank or affiliate	99.99%
Special LP	Lincoln Caroline Arms LLC ("Class B LP")	0.005%
Construction Completion Guarantor(s):		
CC Guarantor 1:	Borrower	
CC Guarantor 2:	Class B LP	
CC Guarantor 3:	Lincoln Avenue Capital LLC ("LAC")	
CC Guarantor 4:	Eli M. Bronfman	
CC Guarantor 5:	Matthew Bronfman	
CC Guarantor 6:	Jonathan A. Gruskin	
CC Guarantor 7:	Jeremy S. Bronfman	
CC Guarantor 8:	Caroline Arms Developer LLC ("Developer")	
Operating Deficit Guarantor(s):		
OD Guarantor 1:	Borrower	
OD Guarantor 2:	Class B LP	
OD Guarantor 3:	LAC	
OD Guarantor 4:	Eli M. Bronfman	
OD Guarantor 5:	Matthew Bronfman	
OD Guarantor 6:	Jonathan A. Gruskin	
OD Guarantor 7:	Jeremy S. Bronfman	
OD Guarantor 8:	Developer	
Bond Purchaser		
Developer:	Caroline Arms Developer LLC	
General Contractor 1:	ETC Companies LLC	
Management Company:	Royal American Management, Inc. ("RAM:)	
Const. Credit Enhancer:		
Perm. Credit Enhancer:		
Syndicator:	Synovus Bank or affiliate	
Bond Issuer:	Jacksonville Housing Finance Authority	
Architect:	Gallo Herbert Architects	
Market Study Provider:	Novogradac and Company LLP ("Novogradac")	
Appraiser:	Novogradac	

PERMANENT FINANCING INFORMATION						
	1st Source	2nd Source	3rd Source	4th Source	5th Source	Other
Lien Position						
Lender/Grantor	Pillar					
Amount	\$14,250,000					
Underwritten Interest Rate	4.95%					
All In Interest Rate	4.95%					
Loan Term	16.0					
Amortization	35.0					
Market Rate/Market Financing LTV	80.1%					
Restricted Favorable Financing LTV	87.4%					
Loan to Cost - Cumulative	63.7%					
Debt Service Coverage	1.140					
Operating Deficit & Debt Service Reserves	\$445,077.00					
# of Months covered by the Reserves	4.8					

Deferred Developer Fee	\$2,085,133
As-Is Land Value	\$2,000,000
As-Is Value (Land & Building)	\$13,500,000
Market Rent/Market Financing Stabilized Value	\$17,800,000
Rent Restricted Favorable Financing Stabilized Value	\$16,300,000
Projected Net Operating Income (NOI) - Year 1	\$977,497
Projected Net Operating Income (NOI) - 15 Year	\$1,090,652
Year 15 Pro Forma Income Escalation Rate	2.00%
Year 15 Pro Forma Expense Escalation Rate	3.00%
Bond Structure	Short Term Cash Collateralized
Housing Credit (HC) Syndication Price	\$0.950
HC Annual Allocation - Initial Award	
HC Annual Allocation - Qualified in CUR	\$639,703
HC Annual Allocation - Equity Letter of Interest	\$636,978

CONSTRUCTION/PERMANENT SOURCES:				
Source	Lender	Construction	Permanent	Perm Loan/Unit
First Mortgage	JHFA/Pillar	\$12,500,000	\$14,250,000	\$69,853
Second Mortgage	Pillar	\$1,750,000	\$0	\$0
HC Equity	Synovus	\$5,748,729	\$6,051,292	\$29,663
Additional Equity	General Partner	\$100	\$100	\$0
Deferred Developer Fee		\$2,387,696	\$2,085,133	\$10,221
TOTAL		\$22,386,525	\$22,386,525	\$109,738
Cash Collateral Source(s):				
First Mortgage	Pillar	\$12,500,000.00		
GRAND TOTAL		\$34,886,525.00		

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?		1
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?		2
Do the site plans/architectural drawings account for all amenities/features listed in the Application?	X	
Does the Applicant have site control at or above the level indicated in the Application?	X	
Does the Applicant have adequate zoning as indicated in the Application?	X	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	X	
Have the Development costs remained equal to or less than those listed in the Application?	X	
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?		3

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

1. The Application indicated a total equity contribution of \$6,507,801, based on an anticipated annual HC allocation of \$654,210 and syndication rate of \$0.96, per a HC equity investment letter of intent ("LOI"), dated March 1, 2018 from Synovus. The LOI was revised June 4, 2018 and indicates a total equity contribution of \$6,051,292, based on an anticipated annual HC allocation of \$654,210 and syndication rate of \$0.95. This reduction is primarily attributable to a lower than previously estimated eligible basis, and to a lesser extent, the reduction in the syndication rate.
2. See Waivers Request Section below.

3. The JHFA Application identified Caroline Arms GP LLC, a LAC affiliate entity, as the Borrower's general partner. Subsequently, the general partner was replaced by AHI, a Florida not-for-profit corporation, and Lincoln Caroline Arms LLC, a LAC affiliated entity, was added as a Class B Limited Partner. The stated purpose for this change was so that the Subject Development could qualify for an anticipated HUD Section 8 rental increase concurrent with the closing, not post rehabilitation, which was critical to the transactions viability. On June 4, 2018, HUD confirmed approval of the Section 8 rental increase effective the closing date of the transaction.

AHI does have a long history of affordable housing ownership of a relatively small portfolio where their non-for-profit status has been leveraged for similar purposes. However, their direct ownership experience and financial capacity to own and operate the Subject Development as a traditional general partner is limited. To mitigate such and as documented in the Limited Partnership Agreement, the Class B Limited Partner has consent and approval rights over all major operational and financial decisions and under certain situations, the right to remove and replace the general partner.

Compensation to AHI is \$10 per unit per month or approximately \$25,000 per year.

These changes have no substantial material impact to the MMRB recommendations for this Development.

Does the Development Team have any FHFC Financed Developments on the Past Due/Noncompliance Report?

Florida Housing's Past Due Report dated April 26, 2018 reflects the following past due item(s): None

The Asset Management Noncompliance Report dated March 27, 2018 reflects the following noncompliance issues: None

This recommendation is subject to satisfactory resolution (as determined by FHFC) of any outstanding past due and/or noncompliance issues prior to loan closing.

Strengths:

1. As discussed below, concurrent with the closing the HUD Project-based Section 8 Housing Assistance Payments Basic Renewal Contract ("HAP Contract") will be extended for 20-years providing an extremely stable revenue stream for over 75% of the Subject Development's units.
2. Historical occupancy for the Subject Development has exceeded 98% with vacancies due only to tenant turnover and a waiting list of over 200 qualified tenants was reported.
3. Although the Borrower, Class B Limited Partner and developer are newly formed, the principals of the Class B Limited Partner, developer, contractor, and the management company have sufficient experience and financial resources to develop, construct and operate the proposed Development.

Other Considerations: None

Waiver Requests/Special Conditions:

1. Notwithstanding the requirements under B-4 and C-16, the Lender (Pillar/Fannie Mae) has required the same guarantees as the Authority, with the exception of the operating deficits guaranty. The Lender is requiring, prior to the Authority exercising any remedies under its guarantees (other than

its operating deficits guaranty), that the Authority standstill and not move to exercise any of its rights under those guarantees for 60 days to allow the Lender time to exercise its rights under said guarantees. After 60 days the Authority can move to exercise all of its rights under its guarantees.

2. As indicated in the JHFA Application, the Applicant requested waivers from certain Mandatory Features and Optional Green Features that were not physically possible or cost prohibited due to the design or physical lay-out of the Subject Development and limited rehabilitation budget. SMG has consulted with provider of the Capital Needs Assessment and the Authority's Financial Advisor and concurs with the Applicant's assertions and recommends approval. A complete list of required Features and Amenities and Resident Programs are included as Exhibit 2.

Additional Information: The Subject Development currently receives rental assistance via a HAP Contract for 161 units. In connection with the sale of the Subject Development, the HAP contract will be assigned to the Applicant, modified to reflect a rental increase (effective as of the closing date), and extended for twenty years from the closing date. The increased rents have been utilized for purposes of determining pro forma net operating income ("NOI"). In addition, these rents were utilized by the Appraiser for purposes of providing appraised values.

The remaining 43 units are subject to an Amended and Restated Section 236(e)(2) Agreement ("Section 236 Agreement"), dated June 21, 2012 ("Effective Date"). In connection with the sale of the Subject Development, the Section 236 Agreement will be assigned to the Applicant and modified to reflect a rental increase (effective as of the closing date). For tenants residing at the Subject Development prior to the Effective Date, rents may not exceed limits set forth in the Section 236 Agreement. For tenants entering into leases after the Effective Date, the owner may charge up to 30% of 80% of the area median income ("AMI"). SMG understands that only five units were leased before the Effective Date and therefore would be subject to the rental limits. However, the current owner chose to limit the balance of the Section 236 units to the rent limits included in the Section 236 Agreement. Concurrent with the closing, these units' rents will be limited to the HC set-aside of 60% or less of the AMI.

The current Section 236 rents limits for two, three and four bedroom units are \$605, \$620, and \$635, respectively, which are subject to a 2% increase at closing. Maximum obtainable rents for the two, three and four bedroom units for these units are significantly higher than the current rents and mostly likely not obtainable for the current tenant base. For purposes of determining pro forma NOI, SMG has utilized rental assumptions consistent with the Section 236 Agreement rental rates effective at closing.

It should be noted that the Appraiser utilized maximum obtainable HC rents at the 60% or less of the AMI set-side level for these units.

Issues and Concerns: None

Mitigating Factors: None

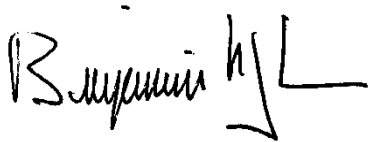
Recommendation:

SMG recommends JHFA issue the MMRB in the amount of \$12,500,000. This recommendation is based upon the assumptions detailed in the Report Summary (Section A) and Supporting Information and Schedules (Section C). In addition, this recommendation is subject to the Loan Conditions (Section B). The reader is cautioned to refer to these sections for complete information.

This recommendation is only valid for six months from the date of the report.

Prepared by:

Reviewed by:



Benjamin S. Johnson
President



Cindy Highsmith
Credit Underwriting Manager

Overview

Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
First Mortgage	JHFA-MMRB	\$12,800,000	\$12,500,000	\$12,500,000	2.00%	
First Mortgage	Pillar	\$1,300,000	\$1,750,000	\$1,750,000	4.95%	
HC Equity	Synovus	\$6,507,801	\$5,748,729	\$5,748,729		
Additional Equity	General Partner	\$100	\$100	\$100		
Deferred Developer Fee	Co-Developers	\$2,119,110	\$2,383,579	\$2,387,696		
Total		\$22,727,011	\$22,382,408	\$22,386,525		\$0

Proposed MMRB:

JHFA will issue a \$12,500,000 allocation of tax-exempt MMRB, which will be underwritten and marketed by RBC via public offering. Proceeds from the sale of the MMRB will be held by a trustee and released to the Applicant for the acquisition and rehabilitation of the Development. The release of the MMRB proceeds to fund the acquisition and rehabilitation of the Development will be restricted, contingent upon a like sum of first mortgage loan funds being sent to the Trustee by Pillar and placed in a collateral fund. Therefore, the principal and interest of the MMRB will be secured by a cash source at all times until they are fully repaid. The Applicant will pay a fixed rate of interest on the MMRB, which is estimated to be 2.00%. The Bonds will require monthly interest only payments until the earlier of the maturity date, which is 18 months from the date of closing, or the date of redemption. It is expected that the full balance of the MMRB proceeds will be utilized at closing and a like-kind amount of the Permanent Loan will be deposited into a collateral fund account at MMRB closing. Investment income derived from the collateral fund is expected to offset the MMRB interest.

Pillar Loan:

The Applicant provided a loan proposal letter dated February 28, 2018 prepared and executed by Pillar that illustrates the terms and conditions of a first mortgage loan under the Fannie Mae DUS® First Mortgage Lien program in an amount up to \$14,250,000 ("First Mortgage"). The First Mortgage will be for a term of 16 years and amortize over a period of 35 years. Full principal and interest payments shall begin immediately at closing based upon a fixed interest rate equal to the yield of the 10-Year Treasury plus a credit spread of 1.67%. SMG estimates an "all-in" interest rate equal to 4.95% based upon the yield of the 10-Year Treasury (currently 3.00%), the credit spread, and an underwriting cushion of 0.25% to account for rate volatility. The First Mortgage is subject to a yield maintenance prepayment penalty for 15 years and is open to prepayment without penalty thereafter. It is anticipated that the property will maintain stabilized operations throughout the rehabilitation period, as the Development is a tenant-in-place rehab. Principal and interest payments for the First Mortgage will be required during this phase, which will be paid from rental income derived from the operations of the Development. It is anticipated that \$12,500,000 of the First Mortgage shall be used as cash collateral for the MMRB. After the rehabilitation work is completed, the bonds are redeemed by the cash collateral funds and are no longer outstanding and only the permanent loan is outstanding. Following the completion of the rehabilitation and redemption of the bonds, Pillar's involvement will only be as the servicer of the loan.

GP Capital Contribution:

The General Partner shall make a capital contribution of \$100 at partnership closing.

Other Construction Sources of Funds:

Additional sources of funds for this Development during construction are housing credit equity of \$5,748,729, and deferred developer fees in the amount of \$2,387,696. See the Permanent Financing section below for details.

Permanent Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt
First Mortgage	Pillar	\$14,100,000	\$14,250,000	\$14,250,000	4.95%	35	16	\$857,571
HC Equity	Synovus	\$6,507,801	\$6,059,945	\$6,051,292				
Additional Equity	General Partner		\$100	\$100				
Deferred Developer Fee	Developer	\$2,119,210	\$1,996,599	\$2,085,133				
Total		\$22,727,011	\$22,306,644	\$22,386,525				\$857,571

Proposed First Mortgage Loan

The Applicant provided a loan proposal letter dated February 28, 2018 prepared and executed by Pillar that illustrates the terms and conditions of a first mortgage loan under the Fannie Mae DUS First Mortgage Lien program in an amount up to \$14,250,000. The First Mortgage will be for a term of 16 years and amortize over a period of 35 years. Borrower shall make monthly payments of principal and interest calculated based upon a fixed interest rate equal to the yield of the 10-Year Treasury plus a credit spread of 1.75%. SMG estimates an "all-in" interest rate equal to 4.95% based upon the yield of the 10-Year Treasury (currently 2.950%), the credit spread, and an underwriting cushion of 0.25% to account for rate volatility. The First Mortgage is subject to a yield maintenance prepayment penalty for 15 years and is open to prepayment without penalty thereafter. Receipt of a firm commitment for the Fannie Mae DUS First Mortgage Lien loan is a condition precedent to the MMRB closing.

Housing Credits Equity Investment:

The Borrower has applied to Florida Housing to receive 4% Housing Credits directly from the United States Treasury in conjunction with tax-exempt financing. An HC calculation is contained in Exhibit 4 of this credit underwriting report.

Based upon a letter of intent ("LOI"), dated March 1, 2018, and last revised June 4, 2018, Synovus Bank ("Synovus") or an affiliate will purchase a 99.99% interest in the Applicant and provide HC equity as follows:

Capital Contributions	Amount	Percent of Total	When Due
1st Installment	\$1,966,670	32.50%	Closing
2nd Installment	\$2,269,235	37.50%	Upon 30% completion.
3rd Installment	\$756,412	12.50%	Upon 65% completion.
4th Installment	\$756,412	12.50%	Upon 98% completion
5th Installment	\$302,563	5.00%	Receipt of 8609
Total	\$6,051,292	100.00%	

Annual Tax Credits per Syndication Agreement:	\$636,978
Total HC Available to Syndicator (10 years):	\$6,369,143
Syndication Percentage (limited partner interest):	99.99%
Calculated HC Exchange Rate (per dollar):	\$0.950
Proceeds Available During Construction:	\$5,748,729

Sufficient equity proceeds will be disbursed at closing to meet regulatory requirements.

GP Capital Contribution:

The General Partner shall make a capital contribution of \$100 at partnership closing.

Other Permanent Sources of Funds:

In order to balance the sources and uses of funds after all loan proceeds and capital contributions payable under the Synovus proposal have been received, the developer will have to defer \$2,085,133 of developer fees.

Uses of Funds

CONSTRUCTION COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Recreational Amenities				\$0	
Rehab of Existing Common Areas				\$0	
Rehab of Existing Rental Units	\$5,200,000	\$4,315,313	\$4,315,313	\$21,153	
Site Work				\$0	
Swimming Pool				\$0	
Furniture, Fixture, & Equipment		\$244,800	\$244,800	\$1,200	
Hard Cost Contingency - in Constr. Cont.				\$0	
Constr. Contr. Costs subject to GC Fee	\$5,200,000	\$4,560,113	\$4,560,113	\$22,353	\$0
General Conditions		\$258,919	\$258,919	\$1,269	
Overhead	\$396,291	\$86,306	\$86,306	\$423	
Profit		\$258,919	\$258,919	\$1,269	
Builder's Risk Insurance				\$0	
General Liability Insurance				\$0	
Payment and Performance Bonds				\$0	
Contract Costs not subject to GC Fee				\$0	
Total Construction Contract/Costs	\$5,596,291	\$5,164,257	\$5,164,257	\$25,315	\$0
Hard Cost Contingency	\$609,629	\$516,426	\$516,426	\$2,532	
PnP Bond paid outside Constr. Contr.		\$56,807	\$56,807	\$278	
Fees for LOC used as Constr. Surety				\$0	
Demolition paid outside Constr. Contr.				\$0	
FF&E paid outside Constr. Contr.				\$0	
Other:				\$0	
Total Construction Costs:	\$6,205,920	\$5,737,490	\$5,737,490	\$28,125	\$0

Notes to the Construction Costs:

- The Applicant has provided an executed construction contract dated May 8, 2018 between the Owner and Pyramid ETC Companies LLC where the basis for payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price in the amount of \$5,164,257. The date of commencement is expected to be within 30 days after the closing date. The General Contractor shall achieve substantial completion no later than 365 days from the date of commencement. If the General Contractor has not achieved substantial completion within the 365 days, there will be a \$1,500 per day liquidated damages fee payable to the Owner. Retainage shall be limited to 10% of the contract amount and may be reduced to 5% at 90% substantial completion upon approval from the Owner. Final payment will be made when the contract has been fully performed, the General Contractor has submitted final accounting for the Cost of the Work and a final Certificate for Payment has been issued by the Architect. The Owner's final payment to the Contractor shall be made no later than 30 days after the Architect's final Certificate for Payment.

General Contractor fees as stated are within the 14% maximum per the Rule. General liability insurance will be covered by the general contractor under General Conditions. Cost of the payment and performance bond will be paid by the Developer.

- A 10% hard cost contingency is supported by the PCA review and is within the limits of the Rule.

3. SMG engaged and received a Plan and Cost Analysis ("PCA") from Partner Engineering and Sciences, Inc. ("Partner"). Complete results are set forth in Section C of this credit underwriting report.

GENERAL DEVELOPMENT COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accounting Fees	\$15,000	\$15,000	\$15,000	\$74	\$15,000
Appraisal	\$5,000	\$10,000	\$10,000	\$49	
Architect's and Planning Fees	\$80,000	\$108,000	\$108,000	\$529	
Architect's Fee - Green Initiative				\$0	
Architect's Fee - Landscape				\$0	
Architect's Fee - Site/Building Design				\$0	
Architect's Fee - Supervision	\$20,000			\$0	
Building Permits	\$80,000	\$80,000	\$80,000	\$392	
Builder's Risk Insurance	\$55,963			\$0	
Capital Needs Assessment/Rehab	\$12,000	\$12,000	\$12,000	\$59	
Engineering Fees				\$0	
Environmental Report	\$20,000	\$25,000	\$25,000	\$123	
Federal Labor Standards Monitoring				\$0	
FHFC Administrative Fees	\$61,014	\$57,335	\$57,573	\$282	\$57,573
FHFC Application Fee	\$3,000	\$3,000	\$3,000	\$15	\$3,000
FHFC Credit Underwriting Fee	\$20,631	\$22,000	\$12,468	\$61	\$12,468
FHFC Compliance Fee	\$50,000	\$50,000	\$63,411	\$311	\$63,411
FHFC Other Processing Fee(s)				\$0	
Impact Fee				\$0	
Lender Inspection Fees / Const Admin		\$20,000	\$20,000	\$98	
Green Building Cert. (LEED, FGBC, NAHB)				\$0	
Home Energy Rating System (HERS)				\$0	
Insurance		\$20,120	\$20,120	\$99	
Legal Fees - Organizational Costs	\$250,000	\$270,000	\$270,000	\$1,324	\$60,000
Local Subsidy Underwriting Fee				\$0	
Market Study		\$5,500	\$5,500	\$27	\$5,500
Marketing and Advertising				\$0	
Plan and Cost Review Analysis		\$6,500	\$6,500	\$32	
Property Taxes		\$20,120	\$20,120	\$99	
Soil Test				\$0	
Survey	\$15,000	\$15,000	\$15,000	\$74	
Tenant Relocation Costs		\$15,000	\$15,000	\$74	
Title Insurance and Recording Fees	\$35,000	\$55,000	\$55,000	\$270	
Traffic Study				\$0	
Utility Connection Fees				\$0	
Soft Cost Contingency	\$52,143	\$40,000	\$40,000	\$196	
Other: Utility Allowance Study		\$10,000	\$10,000	\$49	
Other: 2530/Zoning		\$1,750	\$1,750	\$9	
Other:				\$0	
Other:				\$0	
Other:				\$0	
Total General Development Costs:	\$774,751	\$861,325	\$865,442	\$4,242	\$216,952

Notes to the General Development Costs:

1. Architect's Fees for Site/Building Design and Supervision reflect the fees as stipulated in the Architect Contract dated February 1, 2018 between the Applicant and Gallo Herbert Architects for Caroline Arms Apartments.
2. Builders Risk insurance will be added to the existing Applicant's hazard policy and paid for from property operations.
3. The FHFC Administrative Fee is based on 9% of the recommended annual allocation of HC. The FHFC Application Fee is reflective of the application fee for 4% HC.
4. The FHFC Credit Underwriting fee is for the FHFC HC fee. The JHFA MMRB Underwriting fee is included in Local HFA Cost of Issuance in Financial Cost below.
5. The FHFC Compliance Fee is the future compliance fees to be paid at bond redemption. It is based on the latest date the Compliance Fee Model would extend (December 31, 2018).
6. Soft cost contingency is within 5% of General Development Costs (exclusive of the contingency) as limited by Rule.
7. Other General Development Costs are based on the Borrower's estimates, which appear reasonable.

FINANCIAL COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Construction Loan Application Fee				\$0	
Construction Loan Underwriting Fee				\$0	
Construction Loan Origination Fee	\$139,745			\$0	
Construction Loan Commitment Fee				\$0	
Construction Loan Closing Costs				\$0	
Construction Loan Interest				\$0	
Construction Loan Servicing Fees				\$0	
Permanent Loan Application Fee	\$42,300	\$15,000	\$15,000	\$74	\$15,000
Permanent Loan Underwriting Fee				\$0	
Permanent Loan Subsidy Layering Rev.				\$0	
Permanent Loan Commitment Fee				\$0	
Permanent Loan Origination Fee	\$105,750	\$114,000	\$114,000	\$559	\$114,000
Permanent Loan Closing Costs		\$10,000	\$10,000	\$49	\$10,000
Permanent Loan Interest				\$0	
Permanent Loan Servicing Fee				\$0	
Local HFA Bond Cost of Issuance		\$298,345	\$298,345	\$1,462	\$228,345
Other: Local Issuer Fee at Redemption		\$93,750	\$93,750	\$460	
Other:				\$0	
Total Financial Costs:	\$287,795	\$531,095	\$531,095	\$2,603	\$367,345
Dev. Costs before Acq., Dev. Fee & Reserves	\$7,268,466	\$7,129,910	\$7,134,027	\$34,971	\$584,297

Notes to the Financial Costs:

1. Proceeds from the sale of the MMRB will be placed in a Collateral Fund and invested in U.S Treasuries at a yield greater than interest on the MMRB. Accordingly, no amount for Construction Loan Interest has been included. As indicated earlier, principal and interest payments due on the Pillar loan will be paid from property operations.
2. Permanent Loan Application Fee is consistent with the Pillar LOI.
3. Permanent Loan Origination Fee is consistent with the Pillar LOI
4. Local Bond HFA Cost of Issuance amount is based on an estimate provided by RBC and includes the following: fees and expenses of the Issuer, RBC Underwriter fee, Real Estate Counsel, Bond Counsel, Disclosure Counsel and other fees. Costs associated with Bond and Issuer Counsel are included in eligible basis.
5. Local Issuer Fee at Redemption is equal to 75 basis points of the MMRB amount.
6. Other Financial Costs are based on the Applicant's estimates, which appear reasonable.

NON-LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Building Acquisition Cost	\$10,810,000	\$9,896,000	\$9,896,000	\$48,510	
Developer Fee on Non-Land Acq. Costs		\$1,781,280	\$1,781,280	\$8,732	
Other:				\$0	
Total Non-Land Acquisition Costs:	\$10,810,000	\$11,677,280	\$11,677,280	\$57,242	\$0

Notes to the Non-Land Acquisition Costs:

1. Applicant presented a January 31, 2018 Agreement For Purchase And Sale Agreement between Caroline Arms Preservation, Ltd. ("Buyer" and Applicant) and Caroline Arms L.L.C. ("Seller")

reflecting a purchase price of \$11,750,000. The closing date is the later of 1) 60-days after a 30-day inspection period, or April 30, 2018, or 2) 10-days from receipt of HUD approval. The Agreement provides for various cash deposits to be held in escrow; however, the deposits are applied to the purchase price. Two extensions totaling 75-days are available subject to additional deposits.

2. The "As-Is" appraised value of the Subject is \$13,500,000. Total acquisition costs are limited to the lesser of the appraised value or the purchase price, or in this instance the purchase price of \$11,750,000. Building Acquisition Cost is calculated as the difference between the purchase price and the portion attributable to land as described below.
4. Maximum Developer Fee on Non-Land Acquisition Costs is 18% of that amount.

DEVELOPER FEE ON NON-ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Developer Fee - Unapportioned	\$3,246,538	\$1,276,141	\$1,276,141	\$6,256	
DF to Excess Land Costs				\$0	
DF to Excess Bldg Acquisition Costs				\$0	
Other:				\$0	
Total Other Development Costs:	\$3,246,538	\$1,276,141	\$1,276,141	\$6,256	\$0

Notes to Developer Fee on Non-Acquisition Costs

1. Developer Fee – Unapportioned is 18% of Development Costs, exclusive of Non-Land Acquisition Costs, Land Acquisition Costs and Reserves.

LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Land Acquisition Cost	\$940,000	\$1,854,000	\$1,854,000	\$9,088	\$1,854,000
Land Carrying Costs				\$0	
Other:				\$0	
Total Acquisition Costs:	\$940,000	\$1,854,000	\$1,854,000	\$9,088	\$1,854,000

Notes to the Land Acquisition Costs:

1. The "As-is" Fee Simple Land Value is \$2,000,000
2. The Duval County Property Appraiser's website indicates a Land Value of \$1,854,000
3. Based upon FHFC's Land Allocation criteria, SMG has utilized the lower of the two values discussed above.

RESERVE ACCOUNTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Operating Deficit Reserve (Lender)	\$462,007	\$445,077	\$445,077	\$2,182	\$445,077
Operating Deficit Reserve (Syndicator)				\$0	
Replacement Reserves (Lender)				\$0	
Other: Real Estate Tax/Insurance Escrow				\$0	\$0
Other:				\$0	
Total Reserve Accounts:	\$462,007	\$445,077	\$445,077	\$2,182	\$445,077

Notes to Reserve Accounts:

1. Reserves – Operating Deficit is the Operating Deficit Reserve (“ODR”) required by the Syndicator (Synovus).

TOTAL DEVELOPMENT COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
TOTAL DEVELOPMENT COSTS:	\$22,727,011	\$22,382,408	\$22,386,525	\$109,738	\$2,883,374

Notes to the Total Development Costs:

1. Total Development Costs have decreased by [\\$340,486](#) since the time of application, due primarily to lower than estimated rehabilitation costs, but was somewhat offset by increases in the general development and financial costs.

Operating Pro forma

OPERATING PRO FORMA				ANNUAL	PER UNIT
INCOME	Gross Potential Rental Income			\$2,146,356	\$10,521
	Rent Subsidy (ODR)			\$0	\$0
	Other Income:				
	Miscellaneous			\$16,320	\$80
	Washer/Dryer Rentals			\$0	\$0
	Cable/Satellite Income			\$0	\$0
	Gross Potential Income			\$2,162,676	\$10,601
	Less:				
	Physical Vacancy Loss - Percentage:		3.0%	(\$64,880)	(\$318)
	Collection Loss - Percentage:		0.25%	(\$5,407)	(\$27)
Total Effective Gross Revenue				\$2,092,389	\$10,257
EXPENSES	Fixed:				
	Ground Lease			\$0	\$0
	Sub-Ground Lease			\$0	\$0
	Real Estate Taxes			\$167,076	\$819
	Insurance			\$81,600	\$400
	Other			\$0	\$0
	Variable:				
	Management Fee - Percentage:		4.0%	\$83,696	\$410
	General and Administrative			\$55,824	\$274
	Payroll Expenses			\$247,296	\$1,212
	Utilities			\$234,600	\$1,150
	Marketing and Advertising			\$0	\$0
	Maintenance and Repairs			\$183,600	\$900
	Grounds Maintenance and Landscaping			\$0	\$0
	Resident Programs			\$0	\$0
	Contract Services			\$0	\$0
	Security			\$0	\$0
	Other-Pest Control			\$0	\$0
	Reserve for Replacements			\$61,200	\$300
Total Expenses				\$1,114,892	\$5,465
Net Operating Income				\$977,497	\$4,792
Debt Service Payments					
DEBT SERVICE	First Mortgage - Pillar			\$857,571	\$4,204
	Second Mortgage-			\$0	\$0
	All Other Mortgages Fees -			\$0	\$0
Total Debt Service Payments				\$857,571	\$4,204
Cash Flow After Debt Service				\$119,927	\$588

Debt Service Coverage Ratios		
	DSC - First Mortgage plus Fees	1.140
	DSC - All Mortgages and Fees	1.140
Financial Ratios		
	Operating Expense Ratio	53.3%
	Break-Even Ratio	91.3%

Notes to the Operating Pro forma and Ratios:

1. The Subject Development currently receives HUD Project-based Section 8 Housing Assistance Payments Contract ("HAP Contract") for 161 units. In connection with the sale of the Subject Development, the HAP contract will be assigned to the Applicant, modified to reflect a rental increase (effective as of the closing date), and extended for twenty years from the closing date. The increased rents are reflected below. It should be noted that the Appraiser anticipated that the four bed-room Section 8 rent would be \$1,155 but actual amount approved is \$1,200.
2. The remaining 43 units are subject to a Amended and Restated Section 236(e)(2) Agreement ("Section 236 Agreement"), dated June 21, 2012 ("Effective Date"). In connection with the sale of the Subject Development, the Section 236 Agreement will be assigned to the Borrower and modified to reflect a rental increase (effective as of the closing date). The increased rents are reflected below.
3. Seltzer has utilized utility allowances based on an April 23, 2018 Utility study and letter from David Chasar of Florida Solar Energy Center. The Utility Letter was approved by David Hines of Florida Housing on May 3, 2018. Residents pay for electricity and the Applicant pays for gas, water, sewer, trash disposal and pest control.

A rent roll for the Subject Development is illustrated in the following table:

MSA/County: Jacksonville/Duval County

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Low HOME Rents	High HOME Rents	Gross HC Rent	Utility Allow.	Net Restricted Rents	PBRA Contr Rents	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1	1.0	40	592	60%			\$787	\$43	\$744	\$795	\$795	\$795	\$795	\$381,600
2	1.0	64	800	60%			\$945	\$52	\$893	\$905	\$905	\$905	\$905	\$695,040
2	1.0	16	800	60%			\$945	\$52	\$893		\$616	\$820	\$616	\$118,272
3	1.0	39	911	60%			\$1,090	\$55	\$1,035	\$1,040	\$1,040	\$1,040	\$1,040	\$486,720
3	1.0	21	911	60%			\$1,090	\$55	\$1,035		\$636	\$955	\$631	\$159,012
4	1.5	18	1,142	60%			\$1,216	\$61	\$1,155	\$1,200	\$1,200	\$1,155	\$1,200	\$259,200
4.0	1.5	6	1142	60%			\$1,216	\$61	\$1,155		\$646	\$1,055	\$646	\$46,512
		204	169,748											\$2,146,356

4. Miscellaneous income is based on historical income collected at the Subject from pet fees, application fees, damages, and late fees.
5. The Appraiser estimates a stabilized physical vacancy rate of 3% and collection loss of .025% for an economic occupancy of 96.75% and a physical occupancy rate of 97%. These assumptions are supported by the historical occupancy rates of the Subject Development. Further, SMG notes that 161 of the units are supported by the HAP Contract with a reported waiting list in excess of 200 qualified tenants. Accordingly, SMG has utilized the appraisal assumptions.
6. Real estate tax expense is based on the Appraiser's estimate and is not reflective of any anticipated tax abatement associated with Florida House Bill number 7109.
7. Insurance expense is based on the Appraiser's estimate and is within the historical and comparable range.

8. Management Fees are based on a draft Management Agreement, dated February 16, 2018, between Borrower and Royal American Management, Inc. A fully executed Management Agreement is a condition to close.
9. Other operating expense estimates are based on either market comparables or historical operations at the Subject and are supported by the appraisal.
10. Annual deposit to replacement reserve is equal to the First Mortgage lenders and Florida Housing's minimum requirement and is somewhat greater than the amount concluded in the Physical Needs Assessment.
11. A 15-year income and expense projection shows increasing debt service coverage ("DSC") through year fifteen (15). This projection is attached to this report as Exhibit 1.

Section B

Loan Conditions

Special Conditions

These recommendations are contingent upon the review and approval of the following items by SMG and JHFA at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the loan closing.

1. Receipt and Satisfactory review of fully executed Management Agreement with terms not substantially different from those underwritten herein.

General Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and JHFA at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the loan closing.

1. Borrower to comply with any and all recommendations noted in the Capital Needs Assessment and in the Plan and Cost Review.
2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by JHFA, and its legal counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to JHFA and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area, and any other requirements of JHFA.
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.). Acceptable alternatives to this requirement are receipt and satisfactory review of 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), or evidence of 100% lien-free completion, if applicable. If a letter is provided, copies of all permits will be required as a condition of the first post-closing draw.
4. Final sources and uses of funds itemized by source and line item, in a format and in amounts approved by the Servicer. A detailed calculation of the construction interest based on the final draw schedule (see below), documentation of the closing costs, and draft loan closing statement must also be provided. The sources and uses of funds schedule will be attached to the Loan Agreement as the approved Development budget.
5. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. The closing draw shall include appropriate backup and ACH wiring instructions.
6. The developer is only allowed to draw a maximum of 50% of the total developer fee during construction, but in no case more than the payable developer fee, which is determined to be "developer's overhead". No more than 35% of "developer's overhead" during construction will be allowed to be disbursed at closing. The remainder of the "developer's overhead" will be disbursed during construction on a pro rata basis, based on the percentage of completion of the Development, as approved and reviewed by FHFC and Servicer. The remaining unpaid developer fee shall be considered attributable to "developer's profit" and may not be funded until the Development has achieved 100% lien free completion, and retainage has been released.

7. Evidence of general liability, flood (if applicable), builder's risk and replacement cost hazard insurance (as certificates of occupancy are received) reflecting JHFA as Loss Payee/Mortgagee, with coverages, deductibles and amounts satisfactory to JHFA and, as applicable, the FHFC Insurance Guide.
8. 100% Payment and Performance ("P&P") Bonds or a Letter of Credit ("LOC") in an amount not less than 25% of the construction contract is required in order to secure the construction contract between the general contractor and the Borrower. In either case, JHFA must be listed as co-obligee. The P&P bonds must be from a company rated at least "A-" by A.M. Best & Co. with a financial size category of at least FSC VI. JHFA and/or legal counsel must approve the source, amount(s) and all terms of the P&P bonds or LOC. If the LOC option is utilized, the LOC must contain "evergreen" language and be in a form satisfactory to the Servicer, JHFA, and its Legal Counsel.
9. Architect, Construction Consultant, and Borrower certifications on forms provided by JHFA will be required for both design and as-built with respect to Section 504 of the Rehabilitation Act, the Americans with Disabilities Act ("ADA"), and Federal Fair Housing Act requirements, as applicable.
10. A copy of an Amended and Restated Operating Agreement reflecting purchase of the HC under terms consistent with the assumptions contained within this Credit Underwriting Report. The Amended and Restated Operating Agreement shall be in a form and of financial substance satisfactory to Servicer and to JHFA and its Legal Counsel.
11. At all times there will be undisbursed loan funds (collectively held by JHFA, the first lender and any other source) sufficient to complete the Development. If at any time there are not sufficient funds to complete the Development, the Borrower will be required to expend additional equity on Development costs or to deposit additional equity with JHFA which is sufficient (in the Authority's judgment) to complete the Development before additional loan funds are disbursed. This condition specifically includes escrowing at closing all equity necessary to complete construction or another alternative acceptable to JHFA in its sole discretion.
12. Final "as permitted" (signed and sealed) site plans, building plans and specifications. The geotechnical report, if any, must be bound within the final plans and specifications.

This recommendation is contingent upon the review and approval of the following items by JHFA and its legal counsel at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the loan closing.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the general partner/member(s)/principal(s)/manager(s) of the Borrower, the guarantors, and any limited partners/members of the Borrower.
2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by JHFA, and its legal counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to JHFA and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area, and any other requirements of JHFA.
3. An acceptable updated Environmental Audit Report, together with a reliance letter to JHFA, prepared within 90 days of MMRB closing, unless otherwise approved by JHFA, 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) and Update and the 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 MMRB naming JHFC as the insured. All endorsements required by JHFA shall be provided.
5. JHFA and its legal counsel shall review and approve all other lenders closing documents and the Operating Agreement or other applicable agreement. JHFA shall be satisfied in its sole discretion that all legal and program requirements for the Loans have been satisfied.
6. Evidence of insurance coverage pursuant to the MMRB governing this proposed transaction and, as applicable, the FHFC Insurance Guide.
7. Receipt of a legal opinion from the Borrower's legal counsel acceptable to JHFA addressing the following matters:
 - a. The legal existence and good standing of the Borrower and of any partnership or limited liability company that is the general partner of the Borrower (the "GP") and of any corporation or partnership that is the managing general partner of the GP, of any corporate guarantor and any manager.;
 - b. Authorization, execution, and delivery by the Borrower and the guarantors, of all Loan documents;
 - c. The Loan documents being in full force and effect and enforceable in accordance with their terms, subject to bankruptcy and equitable principles only;
 - d. The Borrower's and the guarantor's execution, delivery and performance of the loan documents shall not result in a violation of, or conflict with, any judgments, orders, contracts, mortgages, security agreements or leases to which the Borrower is a party or to which the Development is subject to the Borrower's Partnership/Operating Agreement and;
 - e. Such other matters as JHFA or its legal counsel may require.
8. Evidence of compliance with local concurrency laws, as applicable.
9. UCC Searches for the Borrower, its partnerships, as requested by legal counsel.
10. Such other assignments, affidavits, certificates, financial statements, closing statements, and other documents as may be reasonably requested by JHFA or its legal counsel in form and substance acceptable to JHFA and its legal counsel, in connection with the loan(s).
11. Any other reasonable conditions established by JHFA and its legal counsel.

Additional Conditions

This recommendation is also contingent upon the following additional conditions:

1. Compliance with all provisions of Sections 420.507 and 420.509, Florida Statutes, Rule Chapter 67-21, F. A. C., Sections 420.507(22) and 420.5087, Florida Statutes, Rule Chapters 67-53, and 67-60, F.A.C., , Section 42 I.R.C., and any other State and Federal requirements.

2. Acceptance by the Borrower and execution of all documents evidencing and securing the MMRB Loan and First Mortgage Loan in form and substance satisfactory to JHFA and its legal counsel, including, but not limited to, the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), the Land Use Restriction Agreement(s), and Extended Low Income Housing Agreement(s).
3. Acceptance by the Borrower and execution of all documents evidencing and securing MMRB in form and substance satisfactory to JHFA and its legal counsel, including, but not limited to, the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), the Land Use Restriction Agreement(s), and Extended Low Income Housing Agreement(s).
4. If MMRB funds are used for construction or rehabilitation, all amounts necessary to complete construction must be deposited with the Trustee prior to Loan Closing, or any phased HC Equity pay-in of amount necessary to complete construction shall be contingent upon an unconditional obligation, through a Joint Funding Agreement or other mechanism acceptable to JHFA, of the entity providing HC Equity payments (and evidence that 100% of such amount is on deposit with such entity at Loan Closing) to pay, regardless of any default under any documents relating to the HC as long as the First Mortgage continues to be funded.
5. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of Real Estate Closing.
6. Guarantors are to provide the standard JHFA Construction Completion Guarantee, to be released upon lien free completion as approved by the Servicer.
7. Guarantors for the MMRB Loan are to provide the standard JHFA Operating Deficit Guarantee. If requested in writing by the Applicant, Servicer will consider a recommendation to release the Operating Deficit Guarantee if all conditions are met, including achievement of a 1.15 DSC on the First Mortgage, 90% Occupancy and 90% of Gross Potential Rental Income net of utility allowances, if applicable, for a period equal to twelve (12) consecutive months, all certified by an independent Certified Public Accountant ("CPA"). The calculation of the debt service coverage ratio shall be made by JHFA or the Servicer. Notwithstanding the above, the Operating Deficit Guarantee shall not terminate earlier than three (3) years following the final certificate of occupancy.
8. Guarantors are to provide the standard JHFA Environmental Indemnity Guaranty.
9. Guarantors are to provide the standard JHFA Guaranty of Recourse Obligations.
10. A mortgagee title insurance lender's policy naming JHFA as the insured first, second and third mortgage holder in the amount of the Loans is to be issued at closing. Any exceptions to the title insurance policy must be acceptable to JHFA or its legal counsel. All endorsements that are required by JHFA are to be issued and the form of the title policy must be approved prior to closing.
11. Property tax and hazard insurance escrows are to be established and maintained by the First Lender or the Servicer. In the event the reserve account is held by JHFA's loan servicing agent, the release of funds shall be at JHFA's sole discretion.
12. Replacement Reserves in the minimum amount of \$300 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/Credit Enhancer, the Trustee, or JHFA's loan servicing agent. However, Applicant has

the option to prepay Replacement Reserves as allowed per the Rule, in the amount of \$72,000 (one-half the required Replacement Reserve for Years 1 and 2), in order to meet the applicable DSC loan requirements. Applicant can waive this election, if at closing of the loan(s) the required DSC is met without the need to exercise the option. It is currently estimated that Replacement Reserves will be funded from Operations in the amount of \$300 per unit per year for years 1 and 2, followed by \$300 per unit per year thereafter. The initial Replacement Reserve will have limitations on the ability to be drawn. Preservation or Rehabilitation Developments (with or without acquisition) shall not be allowed to draw until the start of the scheduled replacement activities as outlined in the pre-construction Capital Needs Assessment report ("CNA") subject to the activities completed in the scope of rehabilitation, but not sooner than the third year.

The amount established as a Replacement Reserve shall be adjusted based on a CNA to be received by the JHFA or its servicers, prepared by an independent third party and acceptable to the JHFA and its servicers at the time the CNA is required, beginning no later than the 10th year after the first residential building in the Development receives a certificate of occupancy, a temporary certificate of occupancy, or is placed in service, whichever is earlier ("Initial Replacement Reserve Date"). A subsequent CNA is required no later than the 15th year after the Initial Replacement Reserve Date and subsequently every five (5) years thereafter.

13. Partner, or other construction inspector acceptable for JHFA, is to act as JHFA's inspector during the construction period.
14. Under the Caroline Arms Apartments construction contract, a minimum of 10% retainage holdback on all construction draws is required until the Development is 90% complete, in which it may be reduced to 5% upon approval from the Owner. JHFA requires a minimum of 10% retainage holdback on all construction draws until the Development is 50% complete, at which time no retainage will be withheld. Retainage will not be released until successful lien free completion of construction and issuance of all certificates of occupancy, which satisfies the Authority's minimum requirement.
15. Satisfactory completion of a pre-loan closing compliance audit conducted by JHFA or its Servicer, if applicable.
16. Closing of the MMRB first mortgage prior to or simultaneous with all other funding sources.
17. Any other reasonable requirements of the Servicer, JHFA or its legal counsel.

Section C

Supporting Information and Schedules

Additional Development and Third Party Supplemental Information

Appraised Value:	<p>The appraised value is \$17,800,000 as if completed and stabilized, based on market rents and market financing, as reported in the full narrative appraisal dated May 10, 2018, with an effective date of February 13, 2018, performed by Novogradac & Company LLP (“Novo”) of Bethesda, Maryland. Brian Neukam, Manager of Novo is a State Certified General Real Estate Appraiser, Florida Temporary License No. TP7589. Based on the market value of the property, the loan-to-value ratio for the first mortgage debt is 80.1%.</p> <p>The appraised value as if completed and stabilized and based on HC restricted rents and favorable terms is estimated at \$16,300,000. The loan-to-value ratio for the first mortgage debt based on this value is 87.4% .</p> <p>The appraisal also estimated an “as if vacant” value for the land of \$2,000,000.</p>
Market Study:	<p>A Market Study was prepared for the subject property by Novo, dated April 4, 2018, with an effective date of February 13, 2018. The subject is accessed by and has frontage on Fort Caroline Road, a four-lane road that provides access to Interstate 295 approximately 2.3 miles to the southeast and University Boulevard North approximately one mile to the west.</p> <p>The Subject’s neighborhood consists of public uses, single-family homes, multifamily uses, and retail and commercial uses. North of the Subject are single-family homes in average condition and Fort Caroline Elementary School. Further north of the Subject are single-family homes in average to good condition. East of the Subject are single-family homes in average condition. Further east of the Subject are single-family homes in average condition. South of the Subject is a wooded public park. Further south of the Subject are retail and commercial uses, baseball diamonds, and a storage facility. West of the Subject is Fort Caroline Middle School. Further west of the Subject are retail and commercial uses, single-family homes in average condition, The Plaza Apartments and Caroline Square Apartments, which were utilized as comparables in Novo’s analysis. Overall, the Subject site is an adequate location for multifamily use. Commercial and retail occupancy in the Subject’s neighborhood appears to be approximately 90 percent.</p> <p>The Subject was originally constructed in 1972 and is comprised of a mix of one-, two-, three-, and four-bedroom units. The units offer two-story garden-style design.</p>

The Subject is located in Census Tract 12031014702 which is not a Qualified Census Tract ("QCT") and not located in a Difficult to Develop Area ("DDA").

Nova defines the Primary Market Area ("PMA") as the east-central portion of Jacksonville, with boundaries generally defined as follows:

North - Chaseville neighborhood southeastward to Holly Oaks neighborhood

South: U.S. Route 90 and Florida State Road 228

East: Saint Johns Bluff Road North and South, Interstate 295

West: Empire Point neighborhood northward to Chaseville neighborhood

The PMA, for the purpose of determining a like-kind inventory of competitive units (including the subject's existing units), consists of eight like-kind properties with a total of 1,504 units with a weighted average occupancy rate in excess of 98% (more than the 92% minimum required by Rule).

There are no Guarantee Fund properties within the subject's PMA or Duval County.

Novo is not aware of any affordable housing developments currently under construction or proposed within the Jacksonville MSA. Therefore, Novo does not anticipate any short term or long term negative impact relating to new supply, and due to the moderately growing population and household base within the PMA, it is likely that occupancy rates will remain stable.

Due to the high level of demand for this product in the PMA, Novo projects that the subject will obtain maximum allowable 2017 HC rents with the exception of the exception of the four-bedroom units. Gas, water, sewer and trash costs are included with the rent, while the residents pay for electricity directly. According to FHFC requirements, market rents are to exceed restricted rents by a minimum of 10%. Based on market-rate garden-style apartments in the subject's expanded neighborhood area, Novo estimated the weighted average market rental rate is 20% higher than the maximum Low Income Housing Tax Credit ("HC") rental rate.

Novo notes that the Subject is an existing 204-unit Project-based Section 8 and Section 236 multifamily property located at 6457 Fort Caroline Road in Jacksonville, Florida 32277. The Section 8 HAP contract benefits 161 of the units. The remaining 43 units are subject to Section 236 rental agreement which limits all but 5 units to tenants earning 80% or less of the AMI.

As restricted by the HC program Novo estimates the subject would have a hypothetical average absorption rate of 40 units per month, assuming that the property were to be entirely vacated and re-leased (though this is not the Developer's intentions). Based on a stabilized occupancy of 95%, the subject would lease up from 0% occupancy in approximately five months.

Based on population and income demographics for the area, Novo states the outlook for the neighborhood is for relatively stable performance with moderate improvement over the next several years and into the foreseeable future. Demand for existing developments is expected to remain good.

Environmental Report:

Partner Engineering and Science, Inc. ("Partner") performed a Phase I Environmental Site Assessment ("ESA") in accordance with ASTM Standard E-1527-13 and Fannie Mae Guidelines. The ESA indicates an inspection date of February 1, 2018 and a report issue date of February 8, 2018.

Partner's findings are summarized below:

A recognized environmental condition ("*REC*") refers to the presence or likely presence of any hazardous substances or petroleum products in, on, or at a property: due to release to the environment; under conditions indicative of a release to the environment; or under conditions that pose a material threat of a future release to the environment:

- Partner did not identify any recognized environmental conditions during the course of this assessment.

A controlled recognized environmental condition refers to a REC resulting from a past release of hazardous substances or petroleum products that has been addressed to the satisfaction of the applicable regulatory authority, with hazardous substances or petroleum products allowed to remain in place subject to the implementation of required controls. The following was identified during the course of this assessment:

- Partner did not identify any controlled recognized environmental conditions during the course of this assessment.

A historical recognized environmental condition refers to a past release of any hazardous substances or petroleum products that has occurred in connection with the property and has been addressed to the satisfaction of the applicable regulatory authority or meeting unrestricted use criteria established by a regulatory authority, without

subjecting the property to any required controls. The following was identified during the course of this assessment:

- Partner did not identify any historical recognized environmental conditions during the course of this assessment.

An environmental issue refers to environmental concerns identified by Partner, which do not qualify as RECs; however, warrant further discussion. The following was identified during the course of this assessment:

- Due to the age of the subject property buildings (1970), there is a potential that asbestos containing materials and/or lead based paint are present. ACM and potential ACM were identified during a previous asbestos survey with ACM identified by laboratory analysis in textured ceiling material. At the request of the client, Partner collected 12 samples of friable materials that are considered suspect ACMs. Asbestos was detected in eight of the twelve samples. Overall, all suspect ACMs and painted surfaces were observed in good condition and do not pose a health and safety concern to the occupants of the subject property at this time.

Should these materials be replaced, the identified ACM and suspect ACMs would need to be sampled to confirm the presence or absence of asbestos prior to any renovation or demolition activities to prevent potential exposure to workers and/or building occupants.

- Evidence of illegal dumping of solid waste observed during Partner's site reconnaissance was limited to a used tire located immediately south of the propane AST fenced enclosure on the southeastern portion of the subject property.

Partner's Conclusions, Opinions and Recommendations are as follows:

Partner has performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E1527-13 and the Fannie Mae Multifamily Selling and Servicing Guide of 6457 Fort Caroline Road in the City of Jacksonville, Duval County, Florida (the "subject property"). Any exceptions to, or deletions from, this practice are described in Section 1.5 of this report.

This assessment has revealed no evidence of recognized environmental conditions in connection with the subject property and recognized no further investigation; however, environmental issues were identified.

Based on the conclusions of this assessment, Partner recommends the following:

- An O&M Program should be implemented in order to safely manage the suspect ACM and LBP located at the subject property.
- A comprehensive survey for ACMs and LBP should be conducted prior to any planned renovation or demolition activities. A licensed asbestos abatement contractor and/or a Certified Asbestos Consultant should perform removal of identified ACMs in accordance with applicable regulations, including the preparation of specifications.
- Remove the tire observed on the southeastern portion of the property for proper disposal offsite.

Seltzer's recommendation is conditioned upon adherence to the recommendations outlined above.

Soil Test Report:

The subject is an existing purchase/rehabilitation. There are no new structures being built as part of the planned rehabilitation; therefore, no soils test or borings are required.

Capital Needs Assessment:

SMG received and reviewed a Capital Needs Assessment ("CNA") from Partner, dated February 8, 2018. The CNA was performed in general conformance with the scope and limitations as set forth by ASTM E 2018-15 and as specified in the most current version of the "4099 Fannie Mae Multifamily Instructions for Performing a Multifamily Property Condition Assessment". The purpose of this assessment is to provide sufficient information to evaluate the condition of the real property in order to facilitate completion of due diligence as a secured lender. The CNA included a site assessment, limited interviews with resident personnel, inquiries to the local building department, planning department and fire marshal's office, and visual observations of the following system components: site development, building structure, building exterior and interior areas, mechanical, electrical, and plumbing systems, conveyance systems, and life safety/fire protection. Partner observed all common areas and 14% of the dwelling units in order to formulate an accurate estimate of repair, replacement and major maintenance needs. Overall, Partner states that the subject property appeared to be in good condition. This evaluation is based on observation of the building systems and components and the apparent level of maintenance activities which appear to be good with proactive repair and replacement.

The property was built in 1970 and has an estimated remaining useful life of approximately 35 years provided that recommended repairs

identified in the CNA are completed, physical improvements receive continuing maintenance and the various components and/or systems are replaced or repaired in a timely basis. Capital reserve items consist of predictable or cyclical replacement type items. These items are included in the Replacement Reserve schedule.

Critical repairs are defined as repairs that may be identified during the survey that are typically limited to life, safety, health, building code violation, or building or property stabilization issues observed at a subject property. Partner states the subject property does not fully meet the accessibility requirements of the ADA, FFHA, and Section 504/UFAS for existing structures. The provided scope of work for the planned renovation appears to include some modifications required to comply with the applicable accessibility standards; specifically, installation of one ADA accessible parking space in the leasing office parking area.

Partner considers the Developer's proposed rehabilitation work together with their CNA repair recommendations to be adequate in scope and depth to meet the physical needs of the subject property. Additionally, they find the costs associated with the work to be reasonable.

A twelve (12) year replacement reserve analysis was also included in the CNA. Replacement reserve costs are typically defined as predictable and in some instances recurring within a specified future period. Items anticipated to be less than approximately \$3,000 to repair or replace are generally considered to be part of routine maintenance and are omitted. Unless specifically required, these costs are not intended to represent enhancements or upgrades to the existing property. Based on a 12-year Replacement Reserve Projection, the development will need to fund reserves in an amount equal to \$102 per unit per year in inflated dollars (1.50% per year inflation factor). The opinions of costs presented are for the repair/replacement of readily visible materials and building system defects identified that might significantly affect the value of the property during the evaluation period. These opinions are based on approximate quantities and values. They do not constitute a warranty that all items, which may require repair or replacement, are included. Estimated cost opinions presented in the CNA are from a combination of sources. The primary sources are: Marshall & Swift Commercial Estimator (online database – 2016), R.S. Means Construction Cost Data (2016), as well as Partner's past experience with construction projects.

Partner considers the Owner's proposed rehabilitation work, together with their CNA repair recommendations, to be adequate in scope and depth to meet the physical needs of the subject property.

Pre-Construction Analysis: SMG has received a Plan and Cost Analysis ("PCA") from Partner dated June 1, 2018.

The PCA report states that the plans and specifications (architectural and mechanical) provided appear to be generally complete, presenting adequate information for review and coordination / regulatory review / pricing under the proposed contract model (negotiated Cost Plus a Fee with a Guaranteed Maximum Price). Overall, the drawings and specifications are sufficiently organized and depict a reasonable approach to the development of the project and provide an adequate amount of information for the Construction Phase. General compliance, code compliance, zoning and ADA regulations appear to have been met. The Agreement for Services conforms to general industry standards.

The PCA concludes that features and amenities committed by the Applicant in its application to JHFA are included in the plans and specifications.

The project scope consists of interior and exterior renovations to the existing residential buildings, Clubhouse/Leasing Office Building, and Laundry Building, including accessibility upgrades and limited site improvements. The scope of interior renovations will generally include replacement of existing kitchen appliances, cabinetry, countertops, and bathroom vanities and fixtures, replacement of flooring throughout, new light fixtures, new HVAC equipment, and new painted gypsum board walls and ceilings. The scope of exterior building improvements will generally include replacement of existing roofing, gutters and downspouts. The scope of site work improvements will generally include repairs to existing sidewalks and curbs, resurfacing and striping of the parking areas, accessibility/path of travel upgrades, erosion control / landscaping, and jet cleaning of storm water piping / sewer line repair.

The scope of work also includes accessibility upgrades related to the existing Laundry Building, and the conversion of 11 existing dwelling units to mobility-impaired units per UFAS requirements, and the conversion of 2% minimum of the existing units to hearing/vision-impaired units per UFAS requirements.

The total construction cost provided by Pyramid ETC Companies, LLC equals \$5,680,683 (including a 10% hard cost contingency), or \$27.83 per square foot of gross building (204,144 gross square feet) and \$27,846 per apartment (204 apartments). Partner's estimated costs are \$5,875,653, or \$28.78 per square foot of gross building and \$28,802 per apartment, a variance of approximately -3.4%, which is within an acceptable range when performing conceptual cost analysis reports.

	<p>Following a review of the scope of work, the construction schedule is of 339 days or just over 11 months which appears reasonable.</p>
Site Inspection:	<p>Ben Johnson of Seltzer Management Group, Inc. conducted a site visit on January 27, 2018 for the subject development. The subject property is an existing affordable housing development comprised of 17 buildings with 204 one, two, three and four bedroom units. Existing amenities include clubhouse/leasing office, stand alone laundry facility, playground and basketball court. The property is located on the north side of Fort Caroline Road within a mixed use area of commercial, office and residential development in Duval County.</p> <p>The immediately surrounding properties consist of residences to the north; Victory Park (3781 University Club Road) and Fort Caroline Road, followed by the Arlington Little League fields (6350 Fort Caroline Road) to the south; Great Expressions Dental (3704 & 3714 Heath Road) and residences to the east across a drainage canal; and, Fort Caroline Elementary and Middle Schools (3787 University Club Boulevard) to the west.</p> <p>The Subject is accessed via Fort Caroline Road, a four-lane, moderately trafficked road that provides access to Interstate 295 approximately 2.3 miles to the southeast of the Subject and University Boulevard North approximately one mile to the west of the Subject. University Boulevard North is a four-lane moderately trafficked road that provides access to Florida State Road 115. Interstate 295 is a major highway that provides access around Jacksonville and to Interstate 95. Florida State Road 115 is a heavily trafficked highway that provides access to downtown Jacksonville. Interstate 95 is a major highway that provides access to cities along the Atlantic coast of Florida and to Savannah, GA. Overall, access is considered average while traffic flow is moderate.</p> <p>There does not appear to be any apparent adverse conditions that would negatively affect this development nor impair the property's ability to attract tenants.</p>
Features, Amenities, and Resident Programs:	<p>Borrower committed to provide certain features and amenities and certain resident programs in the JHFA Application. These commitments are set forth in the attached Exhibit 2.</p>

Borrower Information

Borrower Name: Caroline Arms Preservation, Ltd. ("Borrower")

Borrower Type: Florida Limited Partner

Ownership Structure: Borrower is a Florida Limited Partnership registered with the State of Florida on January 16, 2018. A copy of the Limited Partnership Agreement ("LPA") was provided for the Borrower. A Certificate of Amendment to LPA, dated February 23, 2018, reflects a new General Partner ("GP"), Affordable Housing Institute ("AHI"). The current Certificate of Status was verified with the Secretary of State.

The original GP was Caroline Arms GP, LLC ("Original GP"). The managing member of the Original GP was Lincoln Avenue Capital LLC ("LAC"). Concurrent with the replacement of the Original GP, a Class B Limited Partner was added, Lincoln Caroline Arms LLC ("Class B LP"). The Class B LP is anticipated to be delegated certain management responsibilities related to the ongoing operations of the development, as well as, certain removal rights of the GP, as evidenced by a separate services agreement between AHI and Class B LP. The Original GP and Class B LP share common members, officers and principal owners.

AHI is a Florida Not for Profit Corporation, formed in November 15, 1993, organized exclusively as charitable within the meaning of Section 501(c)(3) of the Internal Revenue Code. AHI's primary mission is the fostering of low income housing to low and moderate income families consistent with its charitable purposes. In that capacity it serves, directly or through affiliated entities, as a general partner in various entities that serve this purpose, including the Borrower.

The Class B LP is a single asset entity ("SAE") Florida Limited Liability Company formed on January 12, 2018 specifically for this development. Members of the Class B LP include Jeremy Samuel Bronfman 1989 Trust ("1989 Trust"), Matthew Bronfman Family EMBT ("EMBT"), and Eli M. Bronfman, and Jonathan A. Gruskin, individually, and all of which are also members, officers or principal owners of LAC. Designated managers are Jeremy Bronfman and Jonathon Gruskin.

LAC is a Delaware Limited Liability Company registered with the State of Florida on May 31, 2016. Copies of the Certification of Formation and Operating Agreement have been provided for LAC. The managers of LAC are Jeremy Bronfman and Eli Bronfman. LAC is comprised of Class A and Class B members, with Class A owning 80% of LAC and Class B owning the remaining 20%. LAC's Class A members include: JSB Family Capital LLC ("JSB") holding 45% ownership, Eli Bronfman holding 30%, and EMBT holding 25%. Jonathan Gruskin is a 100% owner of a Class B member. JSB, a Delaware limited liability company, was formed June 9,

2016, whose sole member is 1989 Trust. Jeremy Bronfman is a Trustee and beneficiary of the 1989 Trust. EMBT is a Delaware Trust for the benefit of Matthew Bronfman and his children. The original trust from which the EMBT succeeds, was created during World War II by Samuel Bronfman, the patriarch of the Bronfman Family. Current Trustees for the Trust are: Adam R. Bronfman, Edgar Bronfman Jr., Matthew Bronfman, Mayo Shattuck III, and Almog Geva.

The initial investor member is Jonathan A. Gruskin. Based upon a HC equity investment letter of intent dated March 1, 2018, an affiliate of Synovus Bank, will purchase a 99.99% limited partner interest concurrent with or prior to closing, with AHI and Class B LP each receiving a 0.005% ownership interest in the Borrower.

Caroline Arms Developer, LLC ("Developer") is the development entity which has the same ownership structure as the Class B LP.

Copies of the Articles of Incorporation and/or Organization and Certificates of Status have been provided on each of the pertinent ownership structure entities listed above.

Contact Information:

Jonathan ("Yoni") A. Gruskin

212-554-2319 (telephone)

E-Mail: yoni@lincolnavicap.com

Address:

201 Santa Monica Boulevard, Suite 550
Santa Monica, CA 90401

Federal Employer ID:

82-4156111

Experience:

Borrower: The Borrower was formed to acquire, own, and operate the subject property, and has no development experience.

AHI: AHI or an affiliated entity is currently the GP of three affordable housing developments located in Florida containing 472 residential units. Robert C. Hartnett was a founding board member and officer and remains so today. Other board members and officers include Bryan C. Hartnett (President), Jill C. Hartnett (Treasurer) and Elizabeth R. Harnett.

LAC: LAC was created by the Bronfman Family as a dedicated real estate operation with a particular focus on affordable housing in the United States. LAC has recent experience as General Partner for two Nevada properties representing 444 units and five Florida developments as General Partner and Developer totaling 1,060 units.

JSB: JSB was created to act as the investment vehicle for the JB 1989 Trust.

Jeremy S. Bronfman: Jeremy Bronfman is the manager of the Bronfman family office. In this capacity, Jeremy oversees all aspects of operations and investment as well as direct oversight of Sixty Capital, an internal Hedge Fund. Before returning to his family business, Jeremy was CEO of Enigma Technologies Inc., a fast growing Big Data software company. Prior to Enigma he was an investment associate at both Island Capital (the parent entity of CIII Capital Partners) and JANA Partners. Jeremy began his career and became a partner at Iroquois Capital, where he identified opportunities in PIPE investments in small cap public companies.

Eli M. Bronfman: Eli Bronfman is currently a principal within the Bronfman Family Office. He also is the managing member of Distillers Capital, a fundamental Market Neutral hedge fund firm. He previously worked on the equities team at IceFarm Capital, a global discretionary Macro Fund and Arrow Capital, an event driven Fund. He began his career at Goldman, Sachs & Co. in the Securities Division.

Matthew Bronfman Family EMBT: EMBT is a Delaware Trust for the benefit of Matthew Bronfman and his children. The original trust, from which the EMBT succeeds, was created during World War II by Samuel Bronfman, the patriarch of the Bronfman Family. Originally funded with shares of the Seagram Company, LTD., the Trust now holds a myriad of interests.

Jonathan A. Gruskin: Jonathan Gruskin is a managing director at LAC. Prior to joining LAC, Mr. Gruskin worked at The Related Companies, where he focused on strategically positioning affordable properties in the company's legacy portfolio to maximize long-term wealth creation through tax credit re-syndications, refinancing's and dispositions. In his role he managed all aspects of tax credit transactions, including financial structuring, lender and syndicator selection, document negotiations, managing regulatory and local government issues, HAP contract renewals, and project management during the renovation phase. Before his tenure at Related, Mr. Gruskin worked for Citigroup Global Markets as an investment banking analyst in the public infrastructure group, where he focused on structuring, marketing and underwriting project finance tax exempt bonds.

Credit Evaluation:

Borrower, Class B LP and Developer are newly formed entities that have no operating or credit history, financial statements, business references or previous tax returns.

A comprehensive credit report for AHI, dated April 20, 2018, reported no significant adversities.

A comprehensive credit report for LAC, dated April 20, 2018, reported no significant adversities.

A comprehensive credit report for Eli Bronfman, dated April 20, 2018, reported no significant adversities.

A comprehensive credit report for Jeremy Bronfman, dated April 20, 2018, reported no significant adversities.

A comprehensive credit report for Matthew Bronfman, dated April 20, 2018, reported no significant adversities.

A comprehensive credit report for Jonathan Gruskin, dated April 20, 2018, reported no significant adversities.

Bank References:

Borrower and Class B LP are newly formed entities that have no operating or credit history, financial statements, business references or previous tax returns.

Bank references for AHI, LAC, Jeremy Bronfman, Eli Bronfman, Jonathan Gruskin and Matthew Bronfman reported satisfactory depository and payment relationships.

SMG has received March 31, 2018 bank statements and/or investment statements for AHI, LAC, Jeremy Bronfman, Eli Bronfman, Jonathan Gruskin and Matthew Bronfman evidencing cash and equivalents as stated in the most currently submitted financial statements.

Financial Statements:

Borrower, Class B LP and Developer are newly formed entities that have no operating or credit history, financial statements, business references or previous tax returns.

AHI:

Cash and Cash Equivalents	\$ 362,714
Total Assets:	\$ 364,134
Total Liabilities:	\$ 0
Net Assets:	\$ 364,134

The financial information is based upon internally prepared financial statements for the period ending May 1, 2018. Assets primarily consist of cash and equivalents. Seltzer reviewed the 2016 and 2017 U.S. Income Tax Returns, which were satisfactory.

LAC:

Cash and Cash Equivalents	\$ 1,985,669
Total Assets:	\$ 20,760,292
Total Liabilities:	\$ 14,709,276
Member Equity:	\$ 6,051,016

The financial information is based upon internally prepared financial statements for the period ending March 31, 2018. Assets are primarily real estate, interests in mezzanine debt, developer fees receivable, pre

development costs, and various accounts, notes, and member receivables. Seltzer reviewed the 2016 U.S. Income Tax Return, which was satisfactory, and 2017 Automatic Application for Extension.

Eli Bronfman:

Cash and Cash Equivalents:	\$ 50,416
Total Assets:	\$ 10,072,654
Total Liabilities:	\$ 7,388,000
Net Worth:	\$ 2,684,654

The financial information is based upon internally prepared financial statements for the period ending March 31, 2018. Assets primarily consist of trust principal and a personal residence. Seltzer reviewed the 2016 and 2015 U.S. Income Tax Returns, which were satisfactory, and Application for Automatic Extension for 2017.

EMBT:

Cash and Cash Equivalents:	\$ 6,192,585
Total Assets:	\$ 53,471,059
Total Liabilities:	\$ 0
Trust Principal:	\$ 53,471,059

The financial information is based upon an internally prepared consolidated statement for the period ending March 31, 2018. Assets primarily consist of investments in various funds and partnerships.

Matthew Bronfman:

Cash and Cash Equivalents	\$ 4,352,018
Total Assets:	\$ 304,588,733
Total Liabilities:	\$ 69,424,093
Net Worth:	\$ 235,164,640

The financial information is based upon internally prepared financial statements for the period ending March 31, 2018. Assets primarily consist of loan receivables, investments in securities, real estate and personal effects. Liabilities include mortgage and notes payable and estimated tax liability upon liquidation of assets. Seltzer reviewed the 2016 and 2015 U.S. Income Tax Returns, which were satisfactory, and Application for Automatic Extension for 2017.

Jonathan Gruskin:

Cash and Cash Equivalents:	\$ 87,261
Total Assets:	\$ 804,119
Total Liabilities:	\$ 489,879
Net Worth:	\$ 314,240

The financial information presented herein is based upon the financial statement compiled by Stanfield & Associates for a period ending December 31, 2017. Assets primarily consist of investments in securities and retirement accounts. Liabilities consist primarily of notes payable. Seltzer reviewed the 2016 and 2015 U.S. Income Tax Returns, which were satisfactory, and Application for Automatic Extension for 2017.

1989 Trust:

Cash and Cash Equivalents:	\$ 7,770
Total Assets:	\$ 5,025,850
Total Liabilities:	\$ 0
Net Worth:	\$ 5,025,850

The financial information is based upon internally prepared financial statements for the period ending March 31, 2018. Assets primarily consist of investments and loan receivables.

Jeremy S. Bronfman:

Cash and Cash Equivalents:	\$ 2,530,984
Total Assets:	\$ 15,523,461
Total Liabilities:	\$ 2,516,461
Net Worth:	\$ 13,006,818

The financial information is based upon internally prepared financial statements for the period ending March 31, 2018. Assets primarily consist of investments and loans receivable. Seltzer reviewed the 2016 and 2015 U.S. Income Tax Returns, which were satisfactory, and Application for Automatic Extension for 2017.

Contingent Liabilities:

Borrower, Class B LP and Developer are newly formed entities that have no contingent liabilities.

AHI, EMBT and 1989 report no contingent liabilities. Statements of Financial and Credit Affairs report no pending legal actions, bankruptcies, foreclosures or unsatisfied judgments.

LAC, Eli Bronfman, Matthew Bronfman and Jonathan Gruskin report Construction Completion and Operating Deficit Guarantees at three developments. Statements of Financial and Credit Affairs for each report no pending legal actions, bankruptcies, foreclosures or unsatisfied judgments.

Jeremy Bronfman reports Construction Completion and Operating Deficit Guarantees at three developments and a long term lease guarantee. A Statement of Financial and Credit Affairs for each report no pending legal actions, bankruptcies, foreclosures or unsatisfied judgments.

Summary: Based upon the information provided, AHI, Class B LP, LAC, Eli Bronfman, Matthew Bronfman, Jonathan Gruskin, and Jeremy S. Bronfman, individually and through various corporate and partnership entities, appear to have the requisite experience and financial resources to develop and operate the Subject Development.

Guarantor Information

Guarantor Name:	Borrower, Class B LP, LAC, and Developer; Matthew Bronfman, Eli Bronfman, Jeremy Bronfman and Jonathan Gruskin, individually.
Guarantor Address:	201 Santa Monica Boulevard, Suite 550 Santa Monica, CA 90401
Contact Information:	Jonathan A. Gruskin yonil@lincolnavecap.com Telephone (212) 554-2319
Guarantor Description:	The Borrower was formed expressly to own and operate Caroline Arms Apartments. AHI is the general partner of the Borrower. Class B LP has common owners with LAC. The Class A members appear to have substantial net worth and the Class B member, Jonathan Gruskin, along with AHI appear to have the experience to purchase and rehabilitate the subject property. All named entities will provide guarantees.
Nature of the Guarantee:	<p>The Guarantors will sign standard JHFA Construction Completion, Environmental Indemnity, Recourse Obligation and Operating Deficit Guarantees. The Construction Completion Guarantee will be released upon 100% lien-free completion as approved by the Loan Servicer.</p> <p>For the MMRB Loan, Guarantors are to provide the standard JHFA Operating Deficit Guarantee. If requested in writing by Applicant, the Loan Servicer will consider a recommendation to release the Operating Deficit Guarantee if all conditions are met, including achievement of a 1.15x Debt Service Coverage ("DSC") Ratio on the MMRB Loan, as determined by the JHFA or its agent and 90% occupancy and 90% of the Gross Potential Rental Income, net of Utility Allowances, if applicable, for a period of 12 consecutive months, all certified by an independent Certified Public Accountant ("CPA"). The calculation of the DSC Ratio shall be made by JHFA or the Loan Servicer. Notwithstanding the above, the Operating deficit Guarantee shall not terminate earlier than three (3) years following the final Certificate of Occupancy ("C/O").</p>
Credit Evaluation:	Please refer to the Borrower Information section of this report.
Banking References:	Please refer to the Borrower Information section of this report.
Financial Statements:	Please refer to the Borrower Information section of this report.
Contingent Liabilities:	Please refer to the Borrower Information section of this report.
Summary:	Based upon the financial information provided, the Guarantors appear to have adequate financial strength to serve as the guarantors for this Development.

Syndicator Information

Syndicator Name: Synovus Bank ("Synovus")
Contact Person: Rick Gordy, Executive Vice President
706-649-7192 Telephone
Address: 1137 First Avenue
Columbus, GA 31901
Experience: Based upon a HC equity investment letter of interest dated March 1, 2018, Synovus or one of its affiliates will purchase a 99.99% ownership interest in the Applicant concurrent with or prior to the closing of the construction/permanent loan.

Synovus is a financial services company based in Columbus, Georgia, with approximately \$30 billion in assets. Synovus provides commercial and retail banking, investment, and mortgage services to customers through 28 locally-branded divisions, 248 branches, and 328 ATMs in Georgia, Alabama, South Carolina, Florida, and Tennessee. Synovus Bank, a wholly owned subsidiary of Synovus, was recognized as one of America's Most Reputable Banks by American Banker and the Reputation Institute in 2016 and 2015, and was named "Best Regional Bank, Southeast" by MONEY Magazine for 2016-2017. Synovus has syndicated/invested in Low Income Housing Tax Credits since 1990, and funded approximately 25 properties in an amount exceeding \$60 million during that time.

Financial Statements:*Synovus Bank*

Cash and Equivalents:	\$397,848,000
Total Assets:	\$31,221,837,000
Liabilities:	\$28,260,271,000
Shareholder Equity:	\$2,961,566,000

The Synovus audited financial statements for the periods ended December 31, 2017 and 2016 were prepared by KPMG, LLP on February 27, 2018. Assets other than cash and equivalents include interest bearing funds with Federal Reserve Bank, interest earning deposits with banks, Federal funds sold, mortgage loans held for sale, investment securities available for sale, loans net of deferred fees, allowance for loan loss, and premises and equipment, goodwill, other real estate, deferred tax asset, and other assets. Liabilities include non-interest bearing deposits, interest bearing deposits, brokered deposits, Federal funds purchased and securities sold, long-term debt and other liabilities. Net income for the twelve (12) months ending December 31, 2017 was \$275,474,000.

Summary: Synovus has demonstrated that it has the experience and financial strength to serve as the syndicator for this Development.

General Contractor Information

General Contractor Name: Pyramid ETC Companies, LLC ("ETC")

Type: A New Jersey Limited Liability Company registered to business in Florida

Contact Person: Michael Moroz
Telephone (201) 825-8255

Address: 275 North Franklin Turnpike
Ramsey, NJ 07446

Experience: ETC was founded in 2003 with focused efforts on the rehabilitation and new construction of large multifamily affordable housing complexes. ETC Companies, LLC is an alternate name according to the New Jersey Department of the Treasury Registration of Alternate Name, Limited Liability Company form executed as of November 14, 2003. ETC Companies has renovated or constructed over 11,228 units in 58 developments located in Massachusetts, New Jersey, New York, Connecticut, Florida, Maryland and Virginia.

License: ETC submitted the license of Robert S. Butwin, who is a Florida Certified General Contractor with license number CGC1511385. His contractor license was originally issued in Florida on June 7, 2006 and is valid through August 31, 2018.

Credit Evaluation: A May 23, 2018 Experian Business Profile Report for ETC reflects satisfactory credit data, no judgments, no liens, no UCC filings and one collection item that was in error. ETC submitted a letter addressing the collection item associated with a separate company.

Business References: Business references for ETC are satisfactory.

Financial Statements: ETC:

Cash and Cash Equivalents	\$23,701,733
Total Assets:	\$44,718,704
Total Liabilities:	\$10,657,617
Net Worth:	\$34,061,087

The financial information is based upon financial statements that were audited by Citrin Cooperman & Company LLP for the period ended December 31, 2017. Assets consist primarily of Cash and Equivalents and Contracts Receivable in the amounts of \$23.7 million and \$15.6 million, respectively. Liabilities consist primarily of Accounts Payable and Billings in Excess of Costs and Earnings in the amounts of \$3.7 million and \$6.3 million, respectively.

Summary:

ETC has the requisite experience and financial capacity to complete the proposed rehabilitation of the Development. A 100% payment and performance bond between the Applicant and ETCs shall secure the general construction contract. Seltzer recommends that ETC be accepted as the general contractor and the construction contract be approved subject to the recommendations of the Plan and Cost Review performed by Partner and evidence of a 100% payment and performance bond between the Applicant and ETC. ETC provided a Surety Letter from Wharton Surety dated May 24, 2018 stating that Zurich American Insurance Company is prepared to favorably consider requests for surety bonding falling within a \$100 Million single project and \$200 Million aggregate program in favor of ETC. Zurich American Insurance Company has an A.M. Best Rating of A+ XV.

SMG recommends that ETC be accepted as the general contractor subject to the conditions, if any, listed in the Recommendations section of this report.

Property Manager Information

Property Manager Name: Royal American Management, Inc. ("RAM")

Type: A Florida Corporation

Contact Information: Kerri Toth, President, Manager
850-769-8981 (telephone)
850-769-1294 (facsimile)

Address: 1002 West 23rd Street, Suite 400
Panama City, Florida 32405

Experience: RAM is a Florida corporation formed in February 1979. It is an S Corporation and a 100% subsidiary of Peoples First Properties, Inc. Currently, Kerri Toth is President, Jeannette B. Chapman is a Director, Joseph F. Chapman, IV, is Vice President, Scott C. Clemons is Vice President, Robert F. Henry, III, is Vice President, and Laurretta J. Pippin is Secretary/Treasurer.

RAM provided a resume indicating it is a licensed real estate brokerage corporation based in Panama City, Florida with regional offices in Concord, North Carolina; Orlando, Florida; Miami, Florida; and Bainbridge, Georgia. The firm's charter is to provide professional property management services and it has done so since its inception in 1971. RAM has attained the Accredited Management Organization designation from the Institute of Real Estate Management. RAM currently manages 162 apartment communities comprised of over 14,455 units of conventional, family, and elderly housing in Alabama, Florida, Georgia, North Carolina, South Carolina and southern Mississippi. The majority of these properties are located in Florida. RAM has extensive experience in all types of multifamily property management and funding programs including HUD, RD, Bonds, HOME, SAIL, Hope VI, ALF, Senior Affordable, and Aggregate Living Communities as well as numerous other conventionally financed and housing tax credit properties. The company also actively manages office buildings and retail facilities in Florida.

Management Agreement: Applicant submitted a draft Management Agreement dated February 16, 2018, between Applicant and RAM. The agreement shall be in effect for a period of one year, beginning on the commencement date and ending twelve calendar months thereafter. The term will be automatically renewed at the end of the original term and subsequent terms for additional 30 days terms, unless terminated in accordance with the terms of the agreement. A management fee equal to 4.0% of gross receipts or \$5,100, whichever is greater, will be paid monthly.

Management Plan: Applicant submitted a Management Plan with RAM that appears satisfactory.

Summary: The selection of RAM as a management company has previously been approved by the Asset Management Department of FHFC. The Asset Management Department of FHFC will need to approve the selection of RAM for the Subject Property prior to the commencement of lease-up activity. Continued approval will be contingent upon ongoing satisfactory performance.

Exhibit 1
Caroline Arms
15 Year Income and Expense Projection

FINANCIAL COSTS:		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
INCOME	OPERATING PRO FORMA															
	Gross Potential Rental Income	\$2,146,356	\$2,189,283	\$2,233,069	\$2,277,730	\$2,323,285	\$2,369,750	\$2,417,145	\$2,465,488	\$2,514,798	\$2,565,094	\$2,616,396	\$2,668,724	\$2,722,098	\$2,776,540	\$2,832,071
	Rent Subsidy (ODR)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Other Income:															
	Ancillary Income-Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Miscellaneous	\$16,320	\$16,646	\$16,979	\$17,319	\$17,665	\$18,019	\$18,379	\$18,747	\$19,121	\$19,504	\$19,894	\$20,292	\$20,698	\$21,112	\$21,534
	Washer/Dryer Rentals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Cable/Satellite Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Rent Concessions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Alarm Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Gross Potential Income	\$2,162,676	\$2,205,930	\$2,250,048	\$2,295,049	\$2,340,950	\$2,387,769	\$2,435,524	\$2,484,235	\$2,533,920	\$2,584,598	\$2,636,290	\$2,689,016	\$2,742,796	\$2,797,652	\$2,853,605
	Less:															
	Economic Loss - Percentage:															
	Physical Vacancy Loss - Percentage: 3.0%	(\$64,880)	(\$66,178)	(\$67,501)	(\$68,851)	(\$70,229)	(\$71,633)	(\$73,066)	(\$74,527)	(\$76,018)	(\$77,538)	(\$79,089)	(\$80,670)	(\$82,284)	(\$83,930)	(\$85,608)
	Collection Loss - Percentage: 0.25%	(\$5,407)	(\$5,515)	(\$5,625)	(\$5,738)	(\$5,852)	(\$5,969)	(\$6,089)	(\$6,211)	(\$6,335)	(\$6,461)	(\$6,591)	(\$6,723)	(\$6,857)	(\$6,994)	(\$7,134)
EXPENSES	Total Effective Gross Revenue	\$2,092,389	\$2,134,237	\$2,176,922	\$2,220,460	\$2,264,869	\$2,310,167	\$2,356,370	\$2,403,497	\$2,451,567	\$2,500,599	\$2,550,611	\$2,601,623	\$2,653,655	\$2,706,728	\$2,760,863
	Fixed:															
	Ground Lease	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Sub-Ground Lease	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Real Estate Taxes	\$167,076	\$172,088	\$177,251	\$182,568	\$188,046	\$193,687	\$199,497	\$205,482	\$211,647	\$217,996	\$224,536	\$231,272	\$238,210	\$245,357	\$252,717
	Insurance	\$81,600	\$84,048	\$86,569	\$89,167	\$91,842	\$94,597	\$97,435	\$100,358	\$103,368	\$106,469	\$109,664	\$112,953	\$116,342	\$119,832	\$123,427
	Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Variable:															
	Management Fee - Percentage: 4.0%	\$83,696	\$85,369	\$87,077	\$88,818	\$90,595	\$92,407	\$94,255	\$96,140	\$98,063	\$100,024	\$102,024	\$104,065	\$106,146	\$108,269	\$110,435
	General and Administrative	\$55,824	\$57,499	\$59,224	\$61,000	\$62,830	\$64,715	\$66,657	\$68,656	\$70,716	\$72,838	\$75,023	\$77,273	\$79,592	\$81,979	\$84,439
	Payroll Expenses	\$247,296	\$254,715	\$262,356	\$270,227	\$278,334	\$286,684	\$295,284	\$304,143	\$313,267	\$322,665	\$332,345	\$342,315	\$352,585	\$363,163	\$374,057
	Utilities	\$234,600	\$241,638	\$248,887	\$256,354	\$264,044	\$271,966	\$280,125	\$288,528	\$297,184	\$306,100	\$315,283	\$324,741	\$334,484	\$344,518	\$354,854
	Marketing and Advertising	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Maintenance and Repairs	\$183,600	\$189,108	\$194,781	\$200,625	\$206,643	\$212,843	\$219,228	\$225,805	\$232,579	\$239,556	\$246,743	\$254,145	\$261,770	\$269,623	\$277,711
	Grounds Maintenance and Landscaping	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Resident Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Contract Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Other-Pest Control	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Reserve for Replacements	\$61,200	\$63,036	\$64,927	\$66,875	\$68,881	\$70,948	\$73,076	\$75,268	\$77,526	\$79,852	\$82,248	\$84,715	\$87,257	\$89,874	\$92,570
	Total Expenses	\$1,114,892	\$1,147,501	\$1,181,073	\$1,215,634	\$1,251,215	\$1,287,845	\$1,325,557	\$1,364,381	\$1,404,351	\$1,445,501	\$1,487,866	\$1,531,481	\$1,576,385	\$1,622,615	\$1,670,211
	Net Operating Income	\$977,497	\$986,735	\$995,849	\$1,004,826	\$1,013,654	\$1,022,321	\$1,030,813	\$1,039,116	\$1,047,216	\$1,055,098	\$1,062,745	\$1,070,141	\$1,077,270	\$1,084,113	\$1,090,652
	Debt Service Payments															
	First Mortgage - Citiabank	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571
	Second Mortgage - Developer Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Third Mortgage - Tax Exempt Seller Note	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Fourth Mortgage - Taxable Seller Note	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Fifth Mortgage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	All Other Mortgages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	First Mortgage Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Second Mortgage Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Third Mortgage Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Fourth Mortgage Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Fifth Mortgage Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	All Other Mortgages Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Debt Service Payments	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571	\$857,571
	Cash Flow After Debt Service	\$119,927	\$129,165	\$138,278	\$147,255	\$156,084	\$164,750	\$173,242	\$181,546	\$189,646	\$197,527	\$205,174	\$212,571	\$219,699	\$226,542	\$233,081
DEBT SERVICE	Debt Service Coverage Ratios															
	DSC - First Mortgage plus Fees	1.140	1.151	1.161	1.172	1.182	1.192	1.202	1.212	1.221	1.230	1.239	1.248	1.256	1.264	1.272
	DSC - Second Mortgage plus Fees	1.140	1.151	1.161	1.172	1.182	1.192	1.202	1.212	1.221	1.230	1.239	1.248	1.256	1.264	1.272
	DSC - Third Mortgage plus Fees	1.140	1.151	1.161	1.172	1.182	1.192	1.202	1.212	1.221	1.230	1.239	1.248	1.256	1.264	1.272
	DSC - Fourth Mortgage plus Fees	1.140	1.151	1.161	1.172	1.182	1.192	1.202	1.212	1.221	1.230	1.239	1.248	1.256	1.264	1.272
	DSC - Fifth Mortgage plus Fees	1.140	1.151	1.161	1.172	1.182	1.192	1.202	1.212	1.221	1.230	1.239	1.248	1.256	1.264	1.272
	DSC - All Mortgages and Fees	1.140	1.151	1.161	1.172	1.182	1.192	1.202	1.212	1.221	1.230	1.239	1.248	1.256	1.264	1.272
	Financial Ratios															
	Operating Expense Ratio	53.3%	53.8%	54.3%	54.7%	55.2%	55.7%	56.3%	56.8%	57.3%	57.8%	58.3%	58.9%	59.4%	59.9%	60.5%
	Break-Even Ratio	91.3%	91.0%	90.7%	90.5%	90.2%	90.0%	89.8%	89.6%	89.4%	89.2%	89.1%	89.0%	88.9%	88.8%	88.7%

result in delay of consideration by the Authority or loss of priority. A description of the proposed financing structure is attached as “Exhibit 16.”

H. **Economic Feasibility of the Development.** A description of the Development feasibility structure must be attached as “Exhibit 17” and include, at a minimum, the following:

- a. 15-year Pro forma cash flow
- b. Maximum interest rate at which the Development will work
- c. Detailed sources and uses, including a breakout for each line item on a per unit cost basis.

See attached

IV. PUBLIC POLICY ISSUES

1. The Applicant agrees to abide by the set-asides described in this application for 50 years with a minimum of 50 years.
2. Applicant must agree to participate in the Crime Free Multi-Housing Program sponsored by the Jacksonville Sheriff’s Office. Terms of this program are included as Attachment 2. Proof of participation must be provided to the Authority semi-annually.
3. Describe in detail all resident programs and activities that will be provided by the Applicant. Each program mandated by the Authority or selected by the Applicant will be made a part of the Land Use Restriction Agreement, and must be described behind tab labeled “Exhibit 18.” Developments that include a mix of elderly and non-elderly units must provide all resident programs mandated for both elderly and non-elderly developments. The resident programs to be provided are:
 - a. Resident programs for **All Applicants**:

☒ **Health Care – Mandatory** - Regularly scheduled visits by health care professionals such as nurses, doctors, or other licensed care providers. At a minimum, the following services must be provided at no cost to the resident: 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.

☒ **Resident Activities – Mandatory** - Regularly scheduled, specified activities, planned, arranged, managed, and paid for by the Applicant or its management agent as an integral part of the management plan. The Applicant must develop and execute a comprehensive plan of varied activities such as holiday or special occasion parties, community picnics or cookouts, newsletters, children’s special functions, etc., to bring the resident together, foster a sense of community, and encourage community pride.

☒ **On Site Voter Registration – Mandatory** – The Applicant or its Management Agent shall work with the County Supervisor of Elections to arrange on-site voter registration. The registration shall be at least quarterly, and shall be during weekend and other traditionally non-work times.

☐ **Swimming Lessons – Optional** – The Applicant or its Management Agent shall provide on-site swimming lessons for children or adults, at no cost to the resident, at least three

times each year.

- ☐ **Life Safety Training – Optional** – The Applicant or its Management Agent shall provide on-site courses such as fire safety, first aid (including CPR), etc. at least twice each year, at no cost to the resident.
- ☐ **Health and Nutrition Classes – Optional** – The Applicant or its Management Agent shall provide on-site classes, at no cost to the resident, at least 8 hours per year.
- ☐ **Day Care – Optional** – either:
 - ☐ Day care facility for children or adults on-site, or
 - ☐ A discount of at least 20% at a day care facility for children or adults within 3 miles of the development.
- ☐ **Case Management/Residential Stabilization/Services – Optional** – This service must be provided by a qualified social worker at no cost to the resident. This program requires that the following services be made available on-site no less often than once a week: crisis intervention, individual and family needs assessment, problem solving and planning, appropriate information and referral to community resources and services based on need, monitoring of ongoing ability to retain self-sufficiency, and advocacy to assist clients in securing needed resources.

b. Residential Programs for **Elderly Developments**:

- ☐ **Resident Assurance Check-In Program – Mandatory** – Applicant must provide and use an established system for checking in with each resident on a predetermined basis not less than once per day. Residents may opt out of this program with a written certification that they chose not to participate.
- ☐ **Daily Activities – Mandatory** – Applicant or its Management Agent must provide supervised, structured activities at least five days per week. Activities must be on-site and at no charge to the residents.
- ☐ **Meals – Optional** – Applicant must pay for daily, at least one meal per day, delivery and cost of meals to the residents or provide for the daily preparation and serving of meals in a designated common on-site facility. Programs such as “Meals on Wheels” will not qualify for points because Applicant is not providing the service.
 - ☐ Applicant will provide for delivery and cost of daily meals (at least one meal per day) to be served in a designated common facility located on-site; or
 - ☐ Applicant will arrange for daily meals, at least one meal per day, to be delivered to the residents at no cost to the residents.
- ☐ **Private Transportation for the Development – Optional** – The Applicant or its Management Agent, at no cost to the resident, must provide a qualified driver and have a safe and serviceable vehicle that can transport residents to off-site locations for such things as medical appointments, public service facilities, and/or educational or social activities. A nearby bus stop or access to programs such as “Dial a Ride” will not be

acceptable for purposes of this commitment.

- ☐ **Assistance with Light Housekeeping, Shopping and/or Laundry – Optional –** Applicant must provide weekly assistance with at least two of the following: (1) light housekeeping, and/or (2) grocery shopping, and/or (3) laundry, at a rate which is at least 25% lower than market.
- ☐ **Manager On-Call 24 Hours Per Day – Optional –** Applicant must provide a manager and/or security guard on the Development's premise at all times who is available and accessible to the residents 24 hours per day, seven days per week.

c. Resident Programs for **Non-Elderly Developments:**

- ☒ **Homeownership Opportunity Program – Mandatory –** Applicant must provide a homeownership opportunity program available to all residents in compliance with their current lease. The program must set aside 5% of the resident's gross rent toward a downpayment for that resident when the resident moves from the development into homeownership. The resident may be suspended from the program during the period of a lease if the resident violates any provision of the lease. Upon renewal of the lease, the resident must be reinstated into the program for the period of that renewal, with suspension permitted under the same terms as discussed above. The homeownership opportunity program must also include financial counseling for all residents, with emphasis on credit counseling and other items necessary for successful purchase of, and maintenance of a home.
- ☒ **First Time Homebuyer Seminars – Mandatory –** Applicant 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.
- ☐ **After School Program for Children – Optional –** Applicant or its Management Agent must provide daily, supervised, structured, age-appropriate activities for children during the after-school hours. Activities must be on-site and at no charge to the residents.
- ☐ **Literacy Training – Optional –** Applicant must make available, at no cost to the resident, a literacy tutor(s) to provide weekly literacy lessons to residents in private space on-site and must include English as a Second Language lessons to residents in private space on-site
- ☐ **Job Training – Optional –** Applicant must provide, at no cost to the resident, regularly scheduled classes in typing, computer literacy, secretarial skills or other useful job skills. Regularly scheduled means not less often than once each quarter.

4. Describe in detail all design and other physical amenities that provide enhanced quality of life, energy efficiency, increased security, handicapped accessibility, or other features. Each feature mandated by the Authority or selected by the Applicant will be made a part of the Land Use Restriction Agreement, Developments that include a mix of elderly and non-elderly units must provide design features for both elderly and non-elderly units must provide design features for both elderly and non-elderly developments. The design and amenity features to be provided are:

- a. **In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act Requirements, the following items are required:**

_____ = waiver approved

- **Air conditioning** (window units are not allowed), in all units
- ~~Dishwasher, in all new construction units~~
- ~~Garbage Disposal, in all new construction units~~
- ~~Cable TV Hook Up, in all units~~
- ~~At least two full bathrooms in all 3 bedroom or larger~~ new construction units
 - At least **1 and ½ bathrooms** (one full bath and one with at least a toilet and sink) in all new construction **2 bedroom units**
- ~~Minimum square footage requirements~~ for all new construction units of 600 square feet (one bedroom), 850 square feet (two bedroom), 1050 square feet (three bedroom), and 1200 square feet (four bedroom or greater)
- **Full sized appliances** in all units
- ~~Bathtub in at least one bathroom in new construction non-elderly units~~
- **Exterior Lighting** for all buildings and parking areas
- Window Treatments (mini-blinds, curtains, vertical blinds) inside each unit- identify treatment _____

- b. **For New Construction Units**, the applicant may select items from the following list. The selected items must total 25 points:

- ☐ 30 Year Expected Life Roofing on all Buildings (5 points)
- ☐ Gated community with “carded” entry or security guard, or if mid-or-high-rise, “carded” secure entry to building (4 points)
- ☐ Ceramic tile Bathroom Floors (2 points)
- ☐ Microwave Oven (3 points)
- ☐ Marble Window Sills (3 points)
- ☐ Fire Sprinklers in All Units (5 points)
- ☐ Steel entry door frames (4 points)
- ☐ Termite prevention/detection system (2 points)
- ☐ Built-in computer desks (2 points)
- ☐ Exterior lighting (3 points)
- ☐ Double compartment kitchen sink (1 point)
- ☐ Laundry Hook-ups and space for washer/dryer inside each unit (3 points)

- c. For **Rehabilitation of Existing Development**, the applicant may select items from the following list. The selected items must total 25 points:

- ☐ Laundry Hook-ups and space for washer/dryer inside each unit (3 Points)
- ☒ 30-Year Expected Life Roofing on all Buildings (4 points)

- ☒ Gated community with “carded” entry or security guard, or if mid-or-high rise, “carded” secure entry to building (3 points)
 - ☒ Ceramic Tile Bathroom Floors (2 points)
 - ☒ Microwave Oven (3 points)
 - ☐ Fire Sprinklers in All Units (4 points)
 - ☐ Dishwasher inside each unit (3 points)
 - ☐ Garbage disposals inside each unit (3 points)
 - ☒ Steel entry door frames (3 points)
 - ☒ Termite prevention/detection system (2 points)
 - ☒ Double compartment kitchen sink (1 point)
- d. For **Elderly Developments** or developments with elderly units, the applicant may select from the following list. The selected items must be on-site and total 16 points (2 points each):
- ☐ Emergency call service in all elderly units
 - ☐ Hairdresser Shop or Barber Shop on site
 - ☐ Laundry facilities available on every floor
 - ☐ All bathrooms in elderly units handicapped accessible with grab-bars per ANSI requirements
 - ☐ Public transportation within 150 feet of property (or elderly building if mixed family-elderly)
 - ☐ Exercise room with appropriate equipment
 - ☐ Community center or clubhouse
 - ☐ Swimming pool
 - ☐ Covered picnic area with at least three permanent picnic tables and a permanent outdoor grill
 - ☐ Outside recreation facility (such as shuffleboard court, putting green, tennis court). Identify facility: _____
 - ☐ Library consisting of a minimum of 100 books and 5 magazine subscriptions. The Library must include a computer lab.
 - ☐ Garden Area (must be sized in proportion to development’s size and expected resident population)
- e. For **Non-Elderly Developments**, or developments with non-elderly units, the applicant may select from the following list. The selected items must be on-site and total 16 points (2 points each):
- ☐ Exercise room with appropriate equipment
 - ☒ Community center or clubhouse
 - ☐ Swimming pool
 - ☒ Playground/tot lot (must be sized in proportion to development’s size and

- ☒ expected resident population with age-appropriate equipment
- ☒ Car care area (for car cleaning/washing)
- ☒ Childcare facility located within three miles of the property
- ☒ Public transportation located within one-half mile of the property
- ☒ Library/study room consisting of a minimum of 100 books and 5 magazine subscriptions. The Library must include a computer lab.
- ☐ Two or more parking spaces per unit
- ☒ Outside recreation area for older children (such as basketball court, tennis court, volleyball court, etc.). Identify facility: **basketball court**

- f. **Energy Conservation Feature** – For all developments, the applicant may select from the following list.

_____ = waiver approved

Mandatory Features:

- Energy Star qualified refrigerator;
- ~~Energy Star qualified dishwasher;~~
- ~~Energy Star qualified washing machine, if provided by applicant;~~
- Minimum SEER of 15 for unit air conditioners (excluding buildings with a central chiller system);
- Caulk, weather strips, seal holes, cracks, etc. (Rehab developments)
- Sealed and insulated heating and cooling system ducts (Rehab developments)
- Low-VOC paint for all interior walls (50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint);
- Low-flow water fixtures in bathrooms--WaterSense labeled products or the following specifications:
 - Toilets: 1.6 gallons/flush or less
 - Faucets: 1.5 gallons/minute or less
 - Showerheads: 2.2 gallons/minute or less.
- Programmable thermostat in each unit

_____ = waiver approved

Optional Green Building Features:

Applicant must choose at least five (5) items from the following list:

- Energy Star ceiling fans in all bedrooms and living areas
- ✓ Energy Star qualified roofing material or coating
- ✓ Energy Star exhaust fans in bathrooms
- Energy Star rating for all windows
- ✓ Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings
- FL Yards and Neighborhoods certification on all landscaping
- ~~Eco friendly flooring~~ Carpet and Rug Institute Green Label certified carpet and pad, bamboo, cork, recycled content tile, and/or natural linoleum
- ~~Eco friendly cabinets~~ formaldehyde free, material certified by the Forest Stewardship Council

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: Caroline Arms ApartmentsDATE: June 8, 2018

In accordance with applicable Program Rule(s), the Borrower 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 that the Credit Underwriter has received assurances from third parties unrelated to the Borrower 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 REQUIRED ITEMS:	STATUS	NOTE
	Satis. /Unsatis.	
1. The Development's final "as submitted for permitting" plans and specifications. Note: Final "signed, sealed, and approved for construction" plans and specifications will be required thirty days before closing.	Satis.	
2. Final site plan and/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.	
10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in the Rule for credit enhancers, Borrower, general partner, principals, guarantors and general contractor.	Satis.	
11. Resumes and experience of Borrower, general contractor and management	Satis.	

agent.		
12. Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
13. Management Agreement and Management Plan.	Satis.	1
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	N/A	
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: 15% 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:

1. Receipt and Satisfactory review of fully executed Management Agreement with terms not substantially different from those underwritten herein.

HC Allocation Calculation

Section I: Qualified Basis Calculation	
Development Cost	\$22,386,525
Less Land Cost	(\$1,854,000)
Less Federal Funds	\$0
Less Other Ineligible Cost	(\$1,029,374)
Less Disproportionate Standard	\$0
Acquisition Eligible Basis	\$11,677,280
Rehabilitation Eligible Basis	\$7,825,871
Total Eligible Basis	\$19,503,151
Applicable Fraction	100.00%
DDA/QCT Basis Credit	100.00%
Acquisition HC Percentage	3.28%
Rehabilitation HC Percentage	3.28%
Annual HC on Acquisition	\$383,015
Annual HC on Rehabilitation	\$256,689
Annual Housing Credit Allocation	\$639,703

Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs primarily include a portion of Accounting fees, FHFC administrative, application and HC compliance fees, legal fees, Market Study, permanent loan origination and commitment fees and closing costs, and reserves required by the syndicator.
2. The Borrower committed to a set aside of 100%. Therefore, SMG has utilized an Applicable Fraction of 100%.
3. Per the Application, this Development is not located in a Qualified Development Area ("DDA") or Qualified Census Tract ("QCT"). As such, the Subject Development is ineligible to use the 130% multiplier for the DDA/QCT Basis Credit.
4. A Housing Credit Percentage of 3.28% is used based on a rate of 3.13% as of the May 2018 date of invitation into credit underwriting plus 15 basis points.

Section II: Gap Calculation	
Total Development Cost (Including Land and Ineligible Costs)	\$22,386,525
Less Mortgages	(\$14,250,000)
Less Grants	\$0
Equity Gap	\$8,136,525
Percentage to Investment Partnership	99.990%
HC Syndication Pricing	\$0.9500
HC Required to Meet Gap	\$8,565,618
Annual HC Required	\$856,562

Notes to the Gap Calculation:

1. Mortgages include the First Mortgage provided by Pillar.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon the March 1, 2018 LOI from Synovus Bank.

Section III: Tax-Exempt Bond 50% Test	
Total Depreciable Cost	\$19,503,151
Plus Land Cost	\$1,854,000
Aggregate Basis	\$21,357,151
Tax-Exempt Bond Amount	\$12,500,000
Less Debt Service Reserve	\$0
Less Proceeds Used for Costs of Issuance	\$0
Plus Tax-exempt GIC earnings	\$0
Tax-Exempt Proceeds Used for Building and Land	\$12,500,000
Proceeds Divided by Aggregate Basis	58.53%

Notes to 50% Test:

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

Section IV: Summary	
HC per Qualified Basis	\$639,703
HC per Gap Calculation	\$856,562
Annual HC Recommended	\$639,703

Notes to the Summary:

1. The Annual HC Recommended is based on the Qualified Basis Calculation.

A RESOLUTION OF THE JACKSONVILLE HOUSING FINANCE AUTHORITY APPROVING AND AUTHORIZING THE ISSUANCE OF JACKSONVILLE HOUSING FINANCE AUTHORITY MULTIFAMILY HOUSING REVENUE BONDS (CAROLINE ARMS APARTMENTS), SERIES 2018 IN A TOTAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$14,200,000 FOR THE PURPOSE OF ACQUIRING, REHABILITATING AND EQUIPPING A MULTIFAMILY RESIDENTIAL HOUSING FACILITY LOCATED IN THE CITY OF JACKSONVILLE, FLORIDA, COMMONLY KNOWN AS "CAROLINE ARMS APARTMENTS"; APPOINTING THE UNDERWRITER NAMED HEREIN FOR THE SALE OF THE BONDS; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE AND A LOAN AGREEMENT TO SECURE PAYMENT OF SUCH BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LAND USE RESTRICTION AGREEMENT; DESIGNATING SELTZER MANAGEMENT GROUP, INC. AS THE INITIAL ISSUER SERVICER AND COMPLIANCE AGENT AND APPROVING THE FORMS AND AUTHORIZING THE EXECUTION AND DELIVERY OF A COMPLIANCE MONITORING AGREEMENT AND CONSTRUCTION AND LOAN SERVICING AGREEMENT; APPROVING A CREDIT UNDERWRITING REPORT; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT; APPROVING A NEGOTIATED SALE OF THE BONDS TO RBC CAPITAL MARKETS, LLC, AS UNDERWRITER; APPOINTING A TRUSTEE; APPROVING THE FORM OF AND THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT PERTAINING TO SAID BONDS; APPOINTING RBC CAPITAL MARKETS, LLC AS REMARKETING AGENT; DELEGATING AUTHORITY TO ENTER INTO A STANDSTILL AGREEMENT WITH THE LENDER; AUTHORIZING THE ISSUER'S FEE IN CONNECTION WITH THE ISSUANCE OF THE BONDS; AUTHORIZING ALL OTHER NECESSARY ACTIONS, AGREEMENTS, CERTIFICATES OR INSTRUMENTS REQUIRED TO ISSUE AND DELIVER THE BONDS; AND PROVIDE AN EFFECTIVE DATE.

WHEREAS, the Legislature of the State of Florida (the "State") has enacted the Florida Housing Finance Authority Law, Sections 159.601 through 159.623 Part IV, Florida Statutes, as amended (the "Act"), pursuant to which the State has empowered each county in the State to create by ordinance a separate public body corporate and politic to be known as a housing finance authority of the county for the purpose of alleviating a shortage of housing and creating capital for investment in housing in the area of operation of such housing finance authority; and

WHEREAS, the Jacksonville Housing Finance Authority (the “Issuer”) is empowered to issue its revenue bonds, notes or other evidences of indebtedness to finance the acquisition, construction and development of multifamily rental housing for persons of low and moderate income at prices or rentals they can afford; and

WHEREAS, the Issuer has the power to issue revenue bonds for the purposes described in the Act, including, without limitation, to refund outstanding obligations of the Issuer, to finance the purchase of mortgage loans originated to persons of low and moderate income and to stimulate the acquisition, construction and rehabilitation of housing within the County; and

WHEREAS, the Issuer has determined that there exists a shortage of safe and sanitary housing for persons and families of moderate middle and lesser income within Duval County, Florida; and

WHEREAS, pursuant to the Act, and the Trust Indenture by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), dated as of June 1, 2018 (the “Indenture”), Caroline Arms Preservation, Ltd. (the “Borrower”) has requested that the Issuer issue its Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018; and

WHEREAS, the Issuer has determined to issue, sell, and deliver its not to exceed \$14,200,000 Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the “Bonds”) for the purpose of funding the loan; and

WHEREAS, the Issuer authorized the issuance of the Bonds pursuant to that certain Resolution adopted by the Issuer on March 21, 2018; and

WHEREAS, to secure payment of the Bonds, the Issuer and the Trustee will enter into the Indenture to provide for, among other things, the security for the Bonds; and

WHEREAS, the Issuer and the Borrower will enter into the hereinafter described Loan Agreement (the “Bond Loan Agreement”) with respect to the Bonds, pursuant to which a loan to the Borrower in the amount of the Bonds (the “Loan”) for the financing of the acquisition, rehabilitation and equipping of the project (the “Project”) will be made and secured; and

WHEREAS, as a condition of facilitating the Loan and in connection with the issuance of the Bonds, the Issuer, the Trustee and the Borrower will enter into the hereinafter described Land Use Restriction Agreement in order to preserve the tax-exempt status of the Bonds; and

WHEREAS, the Loan shall be evidenced by a promissory note (the “Note”); and

WHEREAS, the Issuer desires to assign certain of its rights under the Bond Loan Agreement and the Note to the Trustee; and

WHEREAS, the Issuer has determined that a negotiated sale of the Bonds is in the best interest of the Issuer; and

WHEREAS, in connection with the negotiated sale of the Bonds, the Issuer desires to enter into a Bond Purchase Agreement by and among the Issuer, the Borrower and RBC Capital Markets, LLC, as Underwriter (the "Underwriter"); and

WHEREAS, in connection with the offering and sale of the Bonds, the Issuer desires to approve the distribution of the Preliminary Official Statement, a form of which is attached hereto as **EXHIBIT A**, delegate the authority to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities Exchange Act of 1943, as amended (the "Rule"), and authorize the execution and delivery of a final Official Statement with respect to the Bonds (the "Official Statement"); and

WHEREAS, the Issuer desires to appoint RBC Capital Markets, LLC as Remarketing Agent (the "Remarketing Agent") pursuant to the terms of that certain Remarketing Agreement by and between the Borrower and the Remarketing Agent, and pursuant to the terms of the Indenture; and

WHEREAS, in order to further secure payment of the Bonds, certain guaranties (the "Guaranties") will be provided by the Borrower, Caroline Arms Developer, LLC, Affordable Housing Institute, Inc., Lincoln Caroline Arms LLC, Jeremy S. Bronfman, individually, Eli M. Bronfman, individually, Matthew Bronfman, individually and Jonathan A. Gruskin, individually, in favor of the Issuer and assigned to the Trustee; and

WHEREAS, the Issuer desires to appoint The Bank of New York Mellon Trust Company, N.A. as Trustee; and

WHEREAS, Seltzer Management Group, Inc., a Florida corporation ("Seltzer") will initially be the issuer servicer and compliance monitoring agent with respect to the Bonds; and

WHEREAS, the Issuer desires to approve the Credit Underwriting Report prepared by Seltzer for the Issuer dated the date thereof (the "Credit Underwriting Report"), and desires to approve the Issuer's fee in connection with the issuance of the Bonds; and

WHEREAS, the Issuer desires to grant to its appropriate officers the authority to do and perform and execute all other documents and instruments, not mentioned herein, necessary to issue the Bonds; and

NOW, THEREFORE, BE IT RESOLVED BY THE JACKSONVILLE HOUSING FINANCE AUTHORITY:

Section 1. Findings and Determinations. The Issuer hereby finds and determines that:

(a) All statements and provisions of the foregoing recitals are incorporated herein as findings and determinations of the Issuer.

(b) A negotiated sale of the Bonds is in the best interest of the Issuer in light of the prevailing unsettled condition of the bond market, and the necessity of complying with provisions of the Internal Revenue Code of 1986, as amended, which make it essential that the Issuer have maximum flexibility in structuring the Bonds, which flexibility would not be possible in competitive bidding.

(c) Based upon such findings, the Issuer approves the negotiated sale of the Bonds to the Underwriter.

(d) Prior to executing and delivering the Indenture, the Issuer shall have received disclosure statements from the Underwriter setting forth the information required by Section 218.385, Florida Statutes, as amended.

(e) In addition to the words and terms defined or described herein, and unless the context otherwise requires, the terms defined in the documents identified and described in the foregoing recitals and in this Resolution (collectively, the "Financing Documents") shall have the meanings herein that are ascribed to them in the Financing Documents.

Section 2. Authorization and Details of the Bonds. The Issuer hereby authorizes the issuance of not to exceed \$14,200,000 total aggregate principal amount of the Bonds to be designated as "Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds, (Caroline Arms Apartments), Series 2018", or such other name or series designation as may be determined by the Issuer. The Bonds shall bear interest payable at such times and in such manner, and shall have maturity dates not to exceed 30 months from the date of issuance of the Bonds and shall be subject to redemption, all as described in the Indenture. The Bonds are issuable only as fully registered bonds in the denominations as provided in the Indenture.

Section 3. Approval of Preliminary Official Statement. The Issuer hereby approves the form and content of the draft Preliminary Official Statement attached hereto as **EXHIBIT A**, and authorizes the Chair, Vice Chair or any member of the Issuer to make or approve such changes, modifications and revisions to the draft Preliminary Official Statement as he or she may deem necessary or desirable and hereby authorizes the Chair, Vice Chair or any member of the Issuer to deem "final" the Preliminary Official Statement, as so amended and approved by him or her, for purposes of the Rule; and approves the use of the Preliminary Official Statement in the marketing of the Bonds. The Chair and Vice Chair or any member of the Issuer are hereby authorized to execute, on behalf of the Issuer, the final Official Statement relating to the Bonds with such changes from the Preliminary Official Statement in accordance with the Rule, as they may approve, such execution to be conclusive evidence of such approval, and such final Official Statement is hereby authorized to be used and distributed in connection with the marketing and sale of the Bonds.

Section 4. Approval of Indenture. The Issuer hereby approves the form and content of the Indenture between the Issuer and the Trustee attached hereto as **EXHIBIT B**. The Chair, Vice Chair or any member of the Issuer is hereby authorized to execute and deliver the Indenture on behalf of the Issuer in substantially the form attached hereto as **EXHIBIT B**, with such changes, modifications, insertions and deletions as the Chair, Vice Chair or any member of the Issuer, with the advice of Bond Counsel and the Office of the General Counsel may deem necessary and appropriate. Such execution and delivery shall be conclusive evidence of the approval thereof by the Issuer.

Section 5. Approval of Bond Loan Agreement. The Issuer hereby approves the form and content of the Bond Loan Agreement by and between the Issuer and the Borrower attached hereto as **EXHIBIT C**. The Chair, Vice Chair or any member of the Issuer is hereby authorized to execute and deliver the Bond Loan Agreement on behalf of the Issuer in substantially the form attached hereto as **EXHIBIT C**, with such changes, modifications, insertions and deletions as the Chair, Vice Chair or any member of the Issuer, with the advice of Bond Counsel and the Office of the General Counsel may deem necessary and appropriate. Such execution and delivery shall be conclusive evidence of the approval thereof by the Issuer.

Section 6. Approval of Land Use Restriction Agreement. The Issuer hereby approves the form and content of the Land Use Restriction Agreement by and among the Issuer, the Borrower and the Trustee attached hereto as **EXHIBIT D** (the "Land Use Restriction Agreement"). The Chair, Vice Chair or any member of the Issuer is hereby authorized to execute and deliver the Land Use Restriction Agreement on behalf of the Issuer in substantially the form attached hereto as **EXHIBIT D**, with such changes, modifications, insertions and deletions as the Chair, Vice Chair or any member of the Issuer, with the advice of Bond Counsel and the Office of the General Counsel may deem necessary and appropriate. Such execution and delivery shall be conclusive evidence of the approval thereof by the Issuer.

Section 7. Approval of Compliance Monitoring Agreement, Construction and Loan Servicing Agreement and Credit Underwriting Report. Seltzer is hereby appointed to perform the duties of compliance monitoring agent pursuant to the Compliance Monitoring Agreement by and among the Issuer, the Borrower, the Trustee and Seltzer (the "Compliance Monitoring Agreement") and the duties of Issuer Servicer under the Indenture, the Bond Loan Agreement, the Land Use Restriction Agreement and the Construction and Loan Servicing Agreement by and among the Issuer, the Borrower, the Trustee and Seltzer (the "Servicing Agreement"). The forms of the Compliance Monitoring Agreement and the Servicing Agreement attached hereto as EXHIBITS E and F, respectively, are hereby approved. The Chair, Vice Chair or any member of the Issuer is hereby authorized to execute and deliver the Compliance Monitoring Agreement and Servicing Agreement on behalf of the Issuer in substantially the forms attached hereto as EXHIBITS E and F, with such changes, modifications, insertions and deletions as the Chair, Vice Chair or any member of the Issuer, with the advice of Bond Counsel and the Office of the General Counsel may deem necessary and appropriate. Such execution and delivery shall be conclusive evidence of the approval thereof by the Issuer.

The Issuer hereby approves the Credit Underwriting Report prepared by Seltzer in connection with the Project and delivered to the Issuer.

Section 8. Approval of Bond Purchase Agreement. The Issuer hereby approves the form and content of the Bond Purchase Agreement by and among the Issuer, RBC Capital Markets, LLC and the Borrower attached hereto as **EXHIBIT G** (the "Bond Purchase Agreement"). The Chair, Vice Chair or any member of the Issuer is hereby authorized to execute and deliver the Bond Purchase Agreement on behalf of the Issuer in substantially the form attached hereto as **EXHIBIT G**, with such changes, modifications, insertions and deletions as the Chair, Vice Chair or any member of the Issuer, with the advice of Bond Counsel and the Office of the General Counsel may deem necessary and appropriate. Such execution and delivery shall be conclusive evidence of the approval thereof by the Issuer.

Section 9. Execution of Bonds. The Chair, Vice Chair or any member of the Issuer and Secretary or Assistant Secretary of the Issuer are hereby authorized and directed to execute, by manual or facsimile signature, the Bonds in definitive form. The Bonds shall be in substantially the form set forth in the Indenture, with such changes, modifications, insertions and deletions as the Chair, Vice Chair or any member of the Issuer may deem necessary and appropriate. The execution and delivery of the Bonds by the aforementioned persons shall be conclusive evidence of the Issuer's approval and authorization thereof.

Section 10. Approval of Issuer's Fee. The Issuer hereby approves the Issuer's fee in connection with the issuance of the Bonds in an amount equal to .25% of the par amount of the Bonds to be due on the closing date of the Bonds, and .75% of the par amount of the Bonds to be due on the earlier to occur of the mandatory tender date of the Bonds or the maturity date of the Bonds. Such amounts are estimated to be \$31,750.00 due and payable on the closing date and \$95,250.00 due and payable on the earlier to occur of the mandatory tender date of the Bonds or the maturity date of the Bonds.

Section 11. Authentication and Delivery of Bonds. Upon their execution in the form and manner set forth in the Indenture, the Issuer shall deliver the Bonds to the Trustee for authentication, and the Trustee is hereby authorized and directed to authenticate and to deliver said Bonds to the designated purchaser or purchasers of the Bonds.

Section 12. Appointment of Underwriter, Remarketing Agent and Trustee. RBC Capital Markets, LLC is hereby appointed as Underwriter and Remarketing Agent in connection with the issuance of the Bonds and The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Trustee.

Section 13. Authorizations and Further Actions. The Chair, Vice Chair or other member of the Issuer, the Finance Director and such other officers and employees or agents of the Issuer as may be designated by the Chair, are each designated as agents of the Issuer in connection with the issuance and delivery of the Bonds and are authorized and empowered, collectively or individually, to take all actions and steps, to approve, execute and deliver, if

appropriate, all contracts, agreements and such other instruments, to approve the form of and approve such changes and complete all omissions and blank spaces in such instruments, documents and contracts, including the exhibits thereto, and to take such other and further actions as they may deem necessary or desirable to accomplish the intent thereof, including the sale, issuance and delivery of the Bonds, including, but not limited to, in consultation with the Issuer's Financial Advisors, Bond Counsel and the Office of the General Counsel, executing and delivering certain additional documents as may be necessary, including, but not limited to entering into a Standstill Agreement with SunTrust Bank in connection with the delivery of the Guaranties; provided, however, that such terms and conditions set forth in such additional documents shall not be inconsistent with the provisions of this Resolution or the Credit Underwriting Report.

Section 14. Severability. If any section, paragraph, clause or provision of this Resolution shall be held to be invalid or ineffective for any reason, the remainder of this Resolution shall continue in full force and effect, it being expressly hereby found and declared that the remainder of this Resolution would have been adopted despite the invalidity or ineffectiveness of such section, paragraph, clause or provision.

Section 15. Repealing Clause. All resolutions or parts thereof of the Issuer in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 16. Effective Date. This Resolution shall take effect immediately upon its adoption.

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APPROVED AND ADOPTED by the Jacksonville Housing Finance Authority this 18th day of June, 2018.

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

ATTEST:

By: _____
Name: William I. Gulliford, III
Title: Chair

By: _____
Name:
Title:

FORM APPROVED:

By: _____
Office of the General Counsel

EXHIBIT LIST

EXHIBIT A	FORM OF PRELIMINARY OFFICIAL STATEMENT
EXHIBIT B	FORM OF TRUST INDENTURE
EXHIBIT C	FORM OF LOAN AGREEMENT
EXHIBIT D	FORM OF LAND USE RESTRICTION AGREEMENT
EXHIBIT E	FORM OF COMPLIANCE MONITORING AGREEMENT
EXHIBIT F	FORM OF CONSTRUCTION AND LOAN SERVICING AGREEMENT
EXHIBIT G	FORM OF BOND PURCHASE AGREEMENT

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FORM OF CONSTRUCTION AND LOAN SERVICING AGREEMENT

EXHIBIT G
FORM OF BOND PURCHASE AGREEMENT

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2018

NEW ISSUE/BOOK-ENTRY ONLY

**RATING: S&P: “AA+” (Expected)
(See “RATING” herein)**

In the opinion of Bryant Miller Olive P.A., Orlando, Florida, Bond Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds (as defined herein) is excluded from gross income for federal income tax purposes except that such exclusion shall not apply to interest on any Bond for any period during which such Bond is held by a person who is a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Additionally, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The alternative minimum tax on corporations was repealed for taxable years beginning on and after January 1, 2018. See “TAX MATTERS” herein for a description of certain other federal tax consequences of ownership of the Bonds.

\$12,800,000*

**Jacksonville Housing Finance Authority
Multifamily Housing Revenue Bonds
(Caroline Arms Apartments), Series 2018**

CUSIP: _____**

Price: _____% Interest Rate: _____%

Dated: Date of Delivery

Mandatory Tender Date: December 1, 2019*

Maturity Date: December 1, 2020*

The above-captioned Bonds (the “Bonds”) are being issued by the Jacksonville Housing Finance Authority (the “Issuer”) to fund a loan (the “Loan”) to Caroline Arms Preservation, Ltd., a Florida limited partnership (the “Borrower”). The proceeds of the Loan will be used to finance a portion of the costs of the acquisition, rehabilitation and equipping of a 204-unit multifamily rental housing development and related facilities to be known as Caroline Arms Apartments and to be located in Jacksonville, Duval County, Florida (the “Development”), which property shall be fully occupied by persons of lower income as required by state law and the Code. The Issuer is issuing the Bonds pursuant to a Trust Indenture dated as of June 1, 2018 (the “Indenture”) between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Issuer will loan the proceeds of the Bonds to the Borrower pursuant to the terms of a certain Loan Agreement dated as of June 1, 2018 (the “Bond Loan Agreement”) between the Issuer and the Borrower.

The Bonds will be issued as fully registered bonds and when issued will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), New York, New York. Individual purchases of Bonds will be made in book-entry form only in principal amounts of \$5,000 each and integral multiples thereof. Individual purchasers of Bonds will not receive certificates evidencing their interest in the Bonds. So long as the Bonds are in book-entry form only, all payments of principal of and interest on the Bonds will be made by the Trustee to DTC or its successors. Disbursement of such payments from DTC to the DTC Participants is the responsibility of DTC and disbursement to the Holder is the responsibility of the DTC Participants. The Bonds will bear interest from their dated date, payable semiannually on June 1* and December 1* of each year, commencing December 1, 2018*. Principal of

*Preliminary; subject to change.

**The Issuer is not responsible for the use of the CUSIP numbers referenced in this Official Statement nor is any representation made by the Issuer as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

the Bonds will be payable (i) at the Trust Office of the Trustee upon presentation and surrender of the Bonds as the same become due, and (ii) upon the request of any registered owner of Bonds on the applicable Record Date (as defined in the Indenture) having an aggregate principal amount of \$1,000,000 or more, by wire transfer of immediately available funds.

The Bonds are subject to mandatory tender for purchase, subject to satisfaction of the applicable terms and conditions set forth in the Indenture, on December 1, 2019* (the “Mandatory Tender Date”). All Holders must tender their Bonds for purchase on the Mandatory Tender Date. The Bonds may be remarketed and a new interest rate for the Bonds may be determined on the Mandatory Tender Date in accordance with the terms of the Indenture. If the Bonds are remarketed on the Mandatory Tender Date, the terms of the Bonds after such date may differ materially from the description provided in this Official Statement. Therefore, prospective purchasers of the Bonds on and after the Mandatory Tender Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing. See “THE BONDS – Mandatory Tender” herein.

The Bonds are not subject to redemption prior to the Mandatory Tender Date. See “THE BONDS - Redemption of Bonds.” The maturity of the Bonds may be accelerated upon the occurrence of certain events as described herein. See “APPENDIX B – DOCUMENT SUMMARIES - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Acceleration” herein.

THE ISSUER HAS NO TAXING POWER. THE BONDS SHALL NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL OR SPECIAL, OF THE STATE OF FLORIDA (THE “STATE”) OR ANY LOCAL GOVERNMENT THEREOF; AND NEITHER THE STATE NOR ANY LOCAL GOVERNMENT THEREOF SHALL BE LIABLE THEREON. NEITHER THE FAITH, REVENUES, CREDIT NOR TAXING POWER OF THE STATE OR ANY LOCAL GOVERNMENT THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY), OR INTEREST ON THE BONDS. THE BONDS ARE PAYABLE, AS TO PRINCIPAL, PREMIUM (IF ANY), AND INTEREST, SOLELY OUT OF THE TRUST ESTATE WHICH IS THE SOLE ASSET OF THE ISSUER PLEDGED THEREFOR.

This cover page contains only a brief description of the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors must read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Bryant Miller Olive P.A., Bond Counsel, Orlando, Florida, and certain other conditions. Certain legal matters will be passed upon for the Issuer by its Counsel, the Office of the General Counsel of the City of Jacksonville, Florida, for the Borrower by its counsel, Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A., Miami, Florida, and for the Underwriter by Norris George & Ostrow PLLC, Washington, D.C. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York, on or about _____, 2018.

This Preliminary Official Statement and certain of the information contained herein is in a form deemed final for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for the omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). The information herein is subject to revision, completion or amendment in a final Official Statement. The Bonds may not be sold, nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any

*Preliminary; subject to change.

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jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

RBC Capital Markets

Date: _____, 2018

*Preliminary; subject to change.

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This Official Statement, including the cover page hereof, is provided for the purpose of setting forth information in connection with the issuance and sale of the Bonds. No dealer, broker, salesperson or other person has been authorized by the Issuer, the Borrower or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered herein, nor shall there be any sale of the Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Issuer, the Borrower and other sources which are believed to be reliable, but has not been independently verified, and such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the Borrower or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Issuer, the Borrower, or any other parties described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Issuer has not approved any information in this Official Statement except information relating to the Issuer under the captions “THE ISSUER,” “NO LITIGATION – The Issuer” (as such information pertains to the Issuer), and “DISCLOSURE REQUIRED BY SECTION 517.051(1), FLORIDA STATUTES,” and takes no responsibility for any other information contained in this Official Statement (other than with respect to the description herein under the captions “THE ISSUER,” “NO LITIGATION – The Issuer” (as such information pertains to the Issuer), and “DISCLOSURE REQUIRED BY SECTION 517.051(1), FLORIDA STATUTES”).

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

OFFICIAL STATEMENT

\$12,800,000*

JACKSONVILLE HOUSING FINANCE AUTHORITY MULTIFAMILY HOUSING REVENUE BONDS (CAROLINE ARMS APARTMENTS), SERIES 2018

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices attached hereto, is to set forth information concerning the offering and sale by Jacksonville Housing Finance Authority (the “Issuer”) of its \$12,800,000* Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the Florida Housing Finance Authority Law, Part IV, Chapter 159, Florida Statutes, as amended and supplemented from time to time, Chapter 52 Ordinance Code of the City, as amended, Ordinance 2014-185-E of the City, Resolution No. 2018-241-A of the City, a Resolution of the Issuer adopted on March 21, 2018 and a Resolution of the Issuer adopted on June 18, 2018 (collectively, the “Act”), and the Trust Indenture dated as of June 1, 2018 (the “Indenture”) between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are being issued for the purpose of funding a loan (the “Loan”) to Caroline Arms Preservation, Ltd., a Florida limited partnership (the “Borrower”), pursuant to the terms of a Loan Agreement dated as of June 1, 2018 (the “Bond Loan Agreement”), between the Issuer and the Borrower. The proceeds of the Loan will be used to finance a portion of the costs of the acquisition, rehabilitation and equipping of a 204-unit multifamily rental housing development and related facilities to be known as Caroline Arms Apartments and to be located in Jacksonville, Duval County, Florida (the “Development”), as more fully described under “THE DEVELOPMENT AND THE PARTICIPANTS” herein. The Borrower’s obligations to repay the Loan will be evidenced by a Promissory Note (the “Note”) executed by the Borrower in favor of the Issuer and assigned to the Trustee. See “APPENDIX B - DOCUMENT SUMMARIES” herein for summaries of certain provisions of the Indenture, and the Bond Loan Agreement.

The Development will be occupied by and held open for occupancy by persons of lower income as required by state law and by Section 142(d) of the Internal Revenue Code of 1986, as amended, pursuant to a Land Use Restriction Agreement, dated as of June 1, 2018 (the “Land Use Restriction Agreement”), by and among the Issuer, the Trustee and the Borrower. See “THE DEVELOPMENT AND THE PARTICIPANTS” and “APPENDIX B - DOCUMENT SUMMARIES - SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT” herein. The Borrower is required to operate the Development in compliance with the Land Use Restriction Agreement, which contains certain representations, warranties and covenants concerning the operation thereof. Under the Land Use Restriction Agreement, the Borrower is required during the Qualified Project Period (as such term is defined in the Land Use Restriction Agreement), among other things, to lease at least 100% of the completed residential units in the Development to persons with an adjusted gross income that is at or below 60% of the median gross income for the area in which the Development is located, as further described in the Land Use Restriction Agreement. A failure to comply with certain of these requirements could result in the loss of the federal tax exemption on the Bonds retroactive to their date of issuance. See

* Preliminary; subject to change.

“CERTAIN BONDHOLDERS’ RISK – Taxability of the Bonds,” “TAX MATTERS” and “APPENDIX B - DOCUMENT SUMMARIES - SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT” herein.

The Development will also be encumbered by certain rent and occupancy restrictions in connection with the low income housing tax credits (the “Tax Credits”) expected to be granted for the Development. See “THE DEVELOPMENT AND THE PARTICIPANTS – Additional Restrictive Covenants” herein.

The Bonds are subject to mandatory tender for purchase, subject to satisfaction of the applicable terms and conditions set forth in the Indenture, on December 1, 2019* (the “Mandatory Tender Date”). All Holders must tender their Bonds for purchase on the Mandatory Tender Date. The Bonds may be remarketed and a new interest rate for the Bonds may be determined on the Mandatory Tender Date in accordance with the terms of the Indenture. If the Bonds are remarketed on the Mandatory Tender Date, the terms of the Bonds after such date may differ materially from the description provided in this Official Statement. Therefore, prospective purchasers of the Bonds on and after the Mandatory Tender Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing. See “THE BONDS – Mandatory Tender” herein.

The Bonds are not subject to redemption prior to the Mandatory Tender Date as set forth herein under “THE BONDS.”

The disbursement of Bond proceeds from the Project Fund will be conditioned, among other things, on the prior deposit with the Trustee by SunTrust Bank, a Georgia banking corporation (the “Lender”) of an equal amount of funds from the Lender (the “Lender Collateral Deposit”), pursuant to the Multifamily Loan and Security Agreement, dated as of June 1, 2018 (the “Security Agreement”), by and between the Lender and the Borrower. The Bonds will be secured by funds held under the Indenture and a pledge of the loan payments made pursuant to the Bond Loan Agreement. **At all times the Bonds will be secured by Permitted Investments sufficient to pay, without need for reinvestment, all of the interest and principal on the Bonds when due to the Mandatory Tender Date, as further described herein. See “SECURITY FOR THE BONDS” herein. On the Closing Date, upon deposit of a Lender Collateral Deposit to the Collateral Fund, such amounts, together with amounts on deposit in the Proceeds Account of the Project Fund and the Capitalized Interest Account, if any, will be invested in Government Obligations maturing on or before December 1, 2019*, the principal and interest on which will be sufficient to pay principal and interest on the Bonds when due. See “SECURITY FOR THE BONDS” and “APPENDIX B - DOCUMENT SUMMARIES” herein.**

Interest payments due on the Bonds are expected to be made from the funds deposited in the Capitalized Interest Account of the Bond Fund, if any, on the Closing Date, as well as projected investment earnings on Permitted Investments deposited with the Trustee on the Closing Date, without the need for reinvestment. The payment of principal of the Bonds is expected to be made from funds on deposit in the Bond Fund and the Collateral Fund. The amounts deposited in the Capitalized Interest Account, if any, the Proceeds Account of the Project Fund and the Collateral Fund are to be invested in Permitted Investments, as defined in the Indenture. Therefore, the security for the Bonds is the Proceeds Account of the Project Fund, the Capitalized Interest Account, and the Collateral Fund, and the projected investment earnings on Permitted Investments deposited therein. See “SECURITY FOR THE BONDS” and “APPENDIX B - DOCUMENT SUMMARIES - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Investment of Funds and Accounts” herein. The sum of the Bond proceeds in the

* Preliminary; subject to change.

Proceeds Account of the Project Fund plus amounts deposited in the Collateral Fund, together with the deposit to the Capitalized Interest Account, if any, as invested pursuant to the Indenture, shall at all times be sufficient to pay principal and interest on the Bonds as and when they become due to the Mandatory Tender Date.

The Lender will make a loan in the aggregate principal amount not to exceed \$14,250,000* to the Borrower to provide permanent financing for the Development (the “Lender Loan”). In connection with the Lender Loan, the Borrower will execute a Note (Multistate) (the “Lender Borrower Note”). The Borrower’s repayment obligations under the Lender Borrower Note will be secured by a first-lien priority Multifamily Mortgage, Assignment of Leases and Rents and Security Agreement on the Development (the “Lender Mortgage”).

In no event shall the Lender have any claim or lien upon the Trust Estate and funds pledged to secure the repayment of the Bonds.

None of the Owners of the Bonds, the Trustee or the Issuer will have rights with respect to the Lender Loan or under the Lender Loan Documents. Furthermore, none of the Owners of the Bonds, the Trustee or the Issuer will have a (i) superior lien to the Lender on the real estate on which the Development is located, or (ii) a lien on any funds, accounts or reserves established, disbursed, maintained and/or collected by the Lender in connection with the Lender Loan.

Definitions of certain terms used herein and not otherwise defined are set forth in Appendix A hereto. Brief descriptions of the Issuer, the Development, the Borrower, the use of proceeds of the Bonds and the Bonds together with summaries of the Indenture, the Bond Loan Agreement and the Land Use Restriction Agreement are provided below. All information with respect to the Borrower, the Development and the private participants contained in this Official Statement has been furnished by the Borrower. The descriptions and summaries of the Bond Loan Agreement, the Indenture, the Land Use Restriction Agreement and other documents contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to those documents, and all references to the Bonds are qualified in their entirety by the definitive forms thereof included in the Indenture. See “MISCELLANEOUS” herein for the availability of those documents.

THE ISSUER

General

The Issuer is a separate body corporate and politic created by the City of Jacksonville (the “City”) to ensure compliance with the Act. The Issuer is the successor entity to the Duval County Housing Financing Authority, which previously performed the functions under the Act. The Issuer is composed of a seven-member Board of Directors. The Issuer is authorized, in furtherance of the public purposes described in the Act, to alleviate a shortage of affordable housing and capital investment for persons, or families of low, moderate or middle income of the City.

The seven members of the Issuer, four of whom are appointed by the Mayor of the City and confirmed by the City Council, and three of whom are appointed by the City Council, are set out below. Members of the Issuer serve terms not exceeding four years or until a successor is appointed.

* Preliminary; subject to change.

<u>Members</u>	<u>Occupation</u>	<u>Term Expires</u>
William I. “Tripp” Gulliford, III, Chair	Senior Management, Commercial Real Estate Advisory	November 30, 2019
Spencer N. Cummings, Vice Chair	Real Estate Attorney	June 30, 2018
Delilah “Dee” Bumbarger, Secretary	Real Estate Sales Agent	June 30, 2020
James P. Citrano, Jr.	Commercial Real Estate Banking	June 30, 2020
Ruth Owen	Banker	June 30, 2019
Jeffrey Rosen	Real Estate Investment	June 30, 2021
Jane L. Scofield	Banking and Financial Services	June 30, 2018

The Issuer will neither own, build, nor develop the multifamily rental housing development for which the proceeds of the Bonds will ultimately be utilized, and the Issuer will have no responsibility with respect thereto or with respect to the collection, transfer or payment of any of the moneys derived from any such developments.

Laura Stagner-Crites serves as the Issuer contact. The office of the Issuer is presently located at 214 North Hogan Street, Suite 300, Jacksonville, Florida 32202, and its telephone number is (904) 255-8200.

SECURITY FOR THE BONDS

General

At all times the Bonds will be secured by Permitted Investments sufficient to pay, without need for reinvestment, all of the interest and principal on the Bonds when due to the Mandatory Tender Date, as further described herein. On the Closing Date, upon deposit of a Lender Collateral Deposit to the Collateral Fund, such amounts, together with amounts on deposit in the Proceeds Account of the Project Fund and the Capitalized Interest Account, if any, will be invested in Government Obligations maturing on or before December 1, 2019*, the principal and interest on which will be sufficient to pay principal and interest on the Bonds when due.

Pursuant to the Indenture, the Issuer grants, bargains, sells, conveys and assigns, without recourse, unto the Trustee and its successors in trust forever, and grants to the Trustee and to its successors in trust, a security interest in, the following (such property being herein referred to as the Trust Estate): (i) all right, title and interest of the Issuer in and to all Revenues (as defined below), derived or to be derived by the Issuer or the Trustee for the account of the Issuer under the terms of the Indenture and the Bond Loan Agreement (other than the Unassigned Rights of the Issuer (as defined in Appendix A)), together with all other Revenues received by the Trustee for the account of the Issuer arising out of or on account of the Trust Estate; (ii) all right, title and interest of the Issuer in and to the Note (other than the Unassigned Rights of the Issuer) including all payments and proceeds with respect thereto or replacement thereof; (iii) any fund or account created under the Indenture except for the Cost of Issuance Fund, the Expense Fund and the Rebate Fund; (iv) all right, title and interest of the Issuer in and to, and remedies under, the Bond Loan Agreement; and (v) all funds, moneys and securities and any and all other rights and interests in property whether tangible or intangible from time to time by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee, which is authorized by the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture. “Revenues” means all payments paid or payable

* Preliminary; subject to change.

to the Trustee in accordance with the Bond Loan Agreement, the Loan and the Note and all investment earnings derived or to be derived on any moneys or investments held by the Trustee under the Indenture, but excluding (a) amounts paid as fees, reimbursement for expenses or for indemnification of any Issuer Indemnified Party and the Trustee, (b) amounts paid to or collected by the Issuer in connection with any Unassigned Rights of the Issuer and (c) any Rebate Requirement. The Bonds will not be secured by a deed of trust or other security interest in the Development.

The Collateral Fund; Application of Lender Collateral Deposit

On the Closing Date, the proceeds of the Bonds will be deposited in the Project Fund pursuant to the Bond Loan Agreement and the Indenture. On the Closing Date and from time to time thereafter, the Lender will irrevocably deposit into the Collateral Fund up to \$12,800,000* pursuant to the Security Agreement. Following the deposit of Bond proceeds into the Proceeds Account of the Project Fund and the deposit of a Lender Collateral Deposit into the Collateral Fund, Bond proceeds in an equivalent amount of such Lender Collateral Deposit will be disbursed by the Trustee in accordance with the direction of Borrower and Lender, to be applied to the costs of the Development. The Capitalized Interest Deposit, if any, together with the amounts on deposit in the Collateral Fund and the Proceeds Account of the Project Fund, as invested pursuant to the Indenture, shall at all times be sufficient to pay, without the need for reinvestment, principal and interest on the Bonds as and when they become due to the Mandatory Tender Date. Upon maturity or tender of the Bonds, redemption prior to maturity, or the occurrence of an event of default under the Indenture and acceleration of maturity of the Bonds, the Trustee is authorized to apply moneys held in the Project Fund and in the Collateral Fund to payment of principal on the Bonds. The Trustee is further authorized to apply moneys held in the Capitalized Interest Account to payment of interest on the Bonds. All funds on deposit in the Collateral Fund, Project Fund, and the Capitalized Interest Account will be used to pay only principal of, premium, if any, and interest on the Bonds. Following the payment in full of principal of, premium, if any, and interest on the Bonds, together with all other amounts payable under the Indenture by the Issuer and all fees and expenses of the Trustee and the Issuer, shall be paid, or provision shall have been made for the payment of the same, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon request of the Borrower, the Trustee shall turn over to the Borrower, so long as there shall have occurred no Event of Default which is uncured and continuing, any surplus in the Collateral Fund and all balances remaining in any other fund created under the Indenture and shall assign and transfer to the Borrower all other property then held by the Trustee under the Indenture and shall execute such documents as may be reasonably required by the Borrower.

In no event shall the Lender have any claim or lien upon the Trust Estate and funds pledged to secure the repayment of the Bonds.

None of the Owners of the Bonds, the Trustee or the Issuer will have rights with respect to the Lender Loan or under the Lender Loan Documents. Furthermore, none of the Owners of the Bonds, the Trustee or the Issuer will have a (i) superior lien to the Lender on the real estate on which the Development is located, or (ii) a lien on any funds, accounts or reserves established, disbursed, maintained and/or collected by the Lender in connection with the Lender Loan.

* Preliminary; subject to change.

Nonrecourse Liability of Borrower

The Bond Loan Agreement provides that (i) the liability of the Borrower and the General Partner under the Bond Loan Agreement shall be limited to the Trust Estate, and such amounts as may be invested in accordance with the Indenture, and the Issuer and the Trustee shall look exclusively thereto or to such other security as may from time to time be given or have been given for payment of the Bonds, and any judgment rendered against the Borrower or the General Partner under the Bond Loan Agreement shall be limited to the Development and moneys derived from the operation of the Development, and any other security so given for satisfaction thereof, and (ii) no deficiency or other personal judgment shall be sought or rendered against the Borrower or the General Partner or their respective successors, transferees or assigns, in any action or proceeding arising out of the Bond Loan Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding; provided, however, that nothing contained in the Bond Loan Agreement shall limit the Issuer's or the Trustee's ability to exercise any right or remedy with respect to any property pledged or granted to the Issuer or to any trustee under the Bond Loan Agreement, or both, or to exercise any right against the Borrower or the General Partner, on account of any claim for fraud or deceit, and against any other person or entity on account of any claim for fraud or deceit. Notwithstanding anything in the Bond Loan Agreement to the contrary, nothing in the provisions of the Bond Loan Agreement described in this section shall limit the rights of indemnification against the Borrower and the General Partner pursuant to the terms of the Bond Loan Agreement. Furthermore, notwithstanding anything to the contrary, the Borrower and the General Partner shall be fully liable for (1) amounts payable to the Issuer constituting Unassigned Rights of the Issuer, (2) any amount due and owing as a result of any calculation or determination which may be required in connection with the Bonds for the purpose of complying with Section 148 of the Code (including rebate liability) or any applicable Treasury regulation, (3) payment of the Issuer Fee, and (4) any indemnification or payment obligations to the Issuer as more particularly described in the Bond Loan Agreement.

Limited Obligations of the Issuer

THE ISSUER HAS NO TAXING POWER. THE BONDS SHALL NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL OR SPECIAL, OF THE STATE OR ANY LOCAL GOVERNMENT THEREOF; AND NEITHER THE STATE NOR ANY LOCAL GOVERNMENT THEREOF SHALL BE LIABLE THEREON. NEITHER THE FAITH, REVENUES, CREDIT NOR TAXING POWER OF THE STATE OR ANY LOCAL GOVERNMENT THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY), OR INTEREST ON THE BONDS. THE BONDS ARE PAYABLE, AS TO PRINCIPAL, PREMIUM (IF ANY), AND INTEREST, SOLELY OUT OF THE TRUST ESTATE WHICH IS THE SOLE ASSET OF THE ISSUER PLEDGED THEREFOR.

Investment of the Project Fund and the Collateral Fund

On the Closing Date, moneys on deposit in the Project Fund will be held by the Trustee uninvested until disbursed to the Borrower on the Closing Date in accordance with an approved Requisition.

Amounts on deposit in the Collateral Fund and the Bond Fund, together with amounts, if any, remaining on deposit in the Proceeds Account of the Project Fund after the Closing Date, shall be invested at all times in Permitted Investments.

Pursuant to the terms of the Indenture, the Trustee is directed to purchase Government Obligations maturing on or before the Mandatory Tender Date, with respect to the investment of certain

amounts on deposit in the Collateral Fund, the Proceeds Account of the Project Fund, and the Bond Fund (including the Capitalized Interest Account therein), the principal and interest of which, along with amounts on deposit in the Capitalized Interest Account, if any, will be sufficient to pay principal and interest on the Bonds when due.

Such instructions shall be detailed in the closing memorandum prepared by the Underwriter. All interest earned from the foregoing investments shall be deposited in the Bond Fund. Such funds shall remain on deposit until the Mandatory Tender Date, on which date they will be withdrawn to make payment on the Bonds. In the event that any investments in the Project Fund, the Bond Fund or the Collateral Fund must be liquidated prior to the Mandatory Tender Date, such investments shall be liquidated under the Indenture.

After the Mandatory Tender Date, if the Bonds remain outstanding, the Trustee shall purchase Permitted Investments at the direction of the Borrower, the principal and interest of which, along with amounts on deposit in the Capitalized Interest Account, if any, will be sufficient to pay principal and interest on the Bonds when due.

Any investment made under the Indenture shall comply with Section 148 of the Code. The Trustee may not sell any investment at a loss, unless being sold (i) pursuant to provisions of the Indenture requiring moneys in the Collateral Fund invested in Permitted Investments to be sold in the event such Permitted Investments fail to satisfy the requirements of the Indenture, or (ii) in connection with an acceleration of the Bonds as described in “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Acceleration” herein.

The investments described in each of the above paragraphs shall be made by the Trustee pursuant to the direction provided by the Indenture and in accordance with the written direction of the Borrower to be provided on the Closing Date, which shall remain in effect until further written direction is provided by the Borrower. In the absence of investment instructions from the Borrower, the Trustee shall invest the moneys held in the Bond Fund, the Project Fund or Collateral Fund in money market funds described in parts (ii) and (iii) of the definition of Permitted Investments.

The following investments (“Permitted Investments”) are permitted under the Indenture: (i) Direct obligations issued by the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, including, when available, time deposit SLGS, on which the full and timely payment of principal and interest is unconditionally guaranteed by the United States of America (“Government Obligations”), (ii) money market funds rated “AAAm” by S&P that invest in Government Obligations, which funds are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended (including any money market funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such money market fund and receives reasonable compensation therefor), and (iii) Fidelity Institutional Money Market Treasury Only – Class I as long as it is rated “AAAm” by S&P. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories, and the Trustee shall have no responsibility to monitor the ratings or Permitted Investments after the initial purchase of such Permitted Investments.

ESTIMATED SOURCES AND USES OF FUNDS*

The sources and uses of funds for the Development to be applied under the Indenture are estimated by the Borrower to be approximately as follows.

SOURCES*:

Bond Proceeds	\$12,800,000
Lender Collateral Deposit	12,800,000
Total Sources of Funds:	<u>\$</u>

USES*:

Deposit to Project Fund	\$12,800,000
Deposit to Capitalized Interest Account	
Deposit to Collateral Fund	\$12,800,000
Deposit to Costs of Issuance Fund	
Total Uses of Funds:	<u>\$</u>

Simultaneously with the closing and issuance of the Bonds, the Borrower will close the Lender Loan on the Development in the amount of \$14,250,000* with the Lender to provide acquisition, construction and permanent financing for the Development as further described below. In addition, on the Closing Date, the Borrower expects to sell to Caroline Arms 2018 LLC, a Georgia limited liability company (the "Investor Limited Partner") a 99.99%* ownership interest in the Borrower. Pursuant to that sale, the funding of the Tax Credit equity is expected to total approximately \$6,300,000* when fully funded. The Capitalized Interest Deposit, if any, has been calculated to be sufficient to pay, together with projected investment earnings on Permitted Investments deposited with the Trustee on the Closing Date, and without the need for reinvestment, interest which will become due on the Bonds to the Mandatory Tender Date.

In addition to the Bonds and the Lender Loan, the acquisition, renovation and equipping of the Development will be financed from an equity contribution to the Borrower from the sale of the Tax Credits.

The Lender will advance \$12,800,000* of the \$14,250,000* principal amount of the Lender Loan in the form of a Lender Collateral Deposit to the Trustee for deposit to the Collateral Fund. The Bonds will be initially secured by their own proceeds to be deposited in the Project Fund under the Indenture (plus the Capitalized Interest Deposit, if any, and projected investment earnings on Permitted Investments deposited with the Trustee at closing, and without the need for reinvestment, to cover capitalized interest on the Bonds to the Mandatory Tender Date). At closing, a portion of the Bond proceeds will be disbursed to the Borrower against a simultaneous deposit to the Collateral Fund by the Lender of a Lender Collateral Deposit. The Bonds will thus be secured at all times by Permitted Investments sufficient to pay, without need for reinvestment, all of the interest and principal on the Bonds when due to the Mandatory Tender Date.

* Preliminary; subject to change.

THE DEVELOPMENT AND THE PARTICIPANTS

The Development

The Development consists of the renovation and permanent phase financing of a 204-unit multifamily rental housing development commonly known as Caroline Arms Apartments, located in Jacksonville, Florida. The renovation of the Development is expected to begin in July 2018 and be completed approximately 18 months later.

The Development is intended to be affordable housing for low and moderate income persons. On-site amenities of the Development will include a library, a car care area, playground, basketball court and community room.

Unit amenities will include new kitchen cabinets and countertops, new appliances, new flooring in the living rooms, kitchens and apartment hallways, new hardware throughout the units and heating, ventilation and air-conditioning units.

The unit mix of the Development is as follows:

	Number of Units	Composition	Approximate Square Footage
	40	1 Bedroom / 1 Bath	592
	80	2 Bedroom / 1 Bath	800
	60	3 Bedroom / 1 Bath	911
	24	4 Bedroom / 1.5 Bath	1,142
Total:	204		

The HAP Contract

The Borrower will receive the benefit of a Section 8 Housing Assistance Payment Contract (the “HAP Contract”) covering 161 of the units at the Development. At closing, the Borrower will enter into a new 20-year HAP Contract.

The Land Use Restriction Agreement

At all times during the Qualified Project Period, not less than 100% of the completed residential units in the Development shall be occupied (or held available for occupancy) on a continuous basis by persons or families at or below 60% of the median gross income for the area in which the Development is located.

The Borrower will agree that each individual rental unit in the Development will be rented or held for rental on a first-come, first-served basis, to the general public on a continuous basis, subject to the restrictions in the Land Use Restriction Agreement. In addition, the Borrower will agree to the occupancy requirements described under this heading. See “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT.”

The Land Use Restriction Agreement will also contain provisions for verifying compliance with the terms thereof. The provisions of the Land Use Restriction Agreement discussed herein are intended, among other things, to ensure compliance with the requirements of the Code with respect to the excludability of the interest on the Bonds from gross income. Upon any breach by the Borrower of any provisions of the Land Use Restriction Agreement, the Issuer or the Trustee may (in some cases only with

the consent of Lender) take such actions at law or in equity as deemed appropriate under the circumstances, including an action for specific performance of the Land Use Restriction Agreement, as described under the heading “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT.” Such a breach by the Borrower may result in interest on the Bonds being included in gross income of the holders of the Bonds for purposes of federal income taxation as described in “CERTAIN BONDHOLDERS’ RISK - Taxability of the Bonds” and “TAX MATTERS.”

Additional Restrictive Covenants

Tax Credits. In connection with the Tax Credits expected to be allocated to the Borrower in connection with the Development, the Borrower will execute an Extended Low-Income Housing Agreement for the Development in compliance with Section 42 of the Code (the “Extended Low-Income Housing Agreement”). The Extended Low-Income Housing Agreement extends the low-income housing tax credit targeting and rent restrictions for the Development under Section 42 of the Code for at least 15 years beyond the initial 15 year compliance period, subject only to a few exceptions. The Extended Low-Income Housing Agreement will be executed by the Borrower and the Issuer before the end of the first year of the credit period (as defined in Section 42 of the Code) and recorded in the public records of the county in which the Development is located as a covenant running with the land. The Extended Low-Income Housing Agreement for the Development will require, among other things, that at least 40% of the residential rental units in the Development must be occupied by or set aside for individuals or families whose income does not exceed 60% of the area median income (“AMI”) for the area in which the Development is located, adjusted for family size in accordance with Section 142(d) of the Code, and the rents which may be charged for occupancy of such units shall be restricted to an amount not greater than 30% of 60% of the AMI for the area in which the Development is located.

Under the Code, the restricted use period terminates prior to its expiration date if the Development is acquired by foreclosure or deed in lieu thereof unless after foreclosure or deed in lieu of foreclosure a transfer is made to a person or entity related to the Borrower. Notwithstanding the foregoing, the Code requires that any termination of the extended use period due to foreclosure shall not permit, before the close of the three year period following such foreclosure, (i) the eviction or termination of tenancy of a tenant without cause, or (ii) any increase in the gross rent of any such units not otherwise permitted by Section 42 of the Code.

Pursuant to an Amended and Restated Use Agreement (“Use Agreement”) that encumbers the Development, there are certain restrictions on the income levels and rents that may be charged. The term of the Use Agreement is through May 2032. The Use Agreement requires, among other things, that 100% of the residential rental units in the Development must be occupied by or set aside for individuals or families whose income does not exceed 80% of the AMI for the area in which the Development is located, and the rents which may be charged for occupancy for certain units shall be restricted to an amount not greater than 30% of 80% of the AMI for the area in which the Development is located or an amount approved by the United States Department of Housing and Urban Development (“HUD”) pursuant to its rent increase guidelines.

The Borrower

The Borrower for the Development is Caroline Arms Preservation, Ltd., a Florida limited partnership (the “Borrower”). The general partner of the Borrower is Affordable Housing Institute, Inc., a

Florida not for profit corporation (the “General Partner”), who will have a 0.005%* ownership interest in the Borrower. Lincoln Caroline Arms LLC, a Florida limited liability company (the “Class B Limited Partner”), will have a 0.005%* ownership interest in the Borrower. Simultaneously with the issuance of the Bonds, the Borrower expects to sell a 99.99%* ownership interest in the Borrower to the Investor Limited Partner. The Investor Limited Partner is expected to make capital contributions to the Borrower in the aggregate amount of approximately \$6,300,000* paid in installments. The total amounts to be funded and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly, and no representation is made as to the availability of such funds.

Founded in 2016, Lincoln Avenue Capital LLC, a Delaware limited liability company (the “Lincoln Avenue”) is in the business of acquiring, owning, and developing affordable apartment complexes. Lincoln Avenue currently oversees a real estate portfolio valued in excess of \$266,000,000 and has been involved in the development of more than 14 apartment complexes containing approximately 3,270 units across three states. These projects include more than 2,880 low income housing tax credit units. Lincoln Avenue is an affiliate of the Class B Limited Partner.

The General Partner was formed in 1993. The General Partner is qualified as a charitable organization exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. The General Partner’s primary mission is the fostering of low income housing to low and moderate income families consistent with its charitable purposes. In that capacity it serves, directly or through affiliated entities, as a general partner in various entities that serve this purpose, including the Borrower.

The prior experience of Lincoln Avenue or its affiliates is no assurance that the Development will be successful.

Limited Assets and Obligations of the Borrower

The Borrower entity was formed to acquire, renovate and operate the Development. The Borrower has no material assets other than the Development and has covenanted not to engage in any activities unrelated to the Development. However, affiliates of the Borrower are engaged in and will continue to engage in the acquisition, development, ownership and management of similar types of housing projects. They may be financially interested in, as officers, partners or otherwise, and devote substantial times to, business and activities that may be inconsistent or competitive with the interests of the Development.

The obligations and liabilities of the Borrower under the Note are of a non-recourse nature and are limited to funds deposited or to be deposited under the Indenture to enable the Borrower to satisfy such obligations. Neither the Borrower nor its partners have any personal liability for payments on the Note to be applied to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower has substantial funds available for the Development. Accordingly, neither the Borrower’s financial statements nor those of its partners are included in this Official Statement.

The General Contractor

The general contractor for the Development is expected to be ETC Companies LLC (the “General Contractor”). The General Contractor has over 15 years of experience in renovating residential multifamily housing developments, and its principals have, collectively, over 30 years of such experience.

* Preliminary; subject to change.

The General Contractor has completed the renovation of over 7,500 multifamily affordable housing units throughout New York, Massachusetts, New Jersey, Connecticut, West Virginia, Florida, Virginia, Maryland, and North Carolina.

Any previous experience of the General Contractor is no assurance that the Development will be successful.

Property Management

The Development will be managed by Royal American Management, Inc., a Florida corporation (the “Property Manager”). The Property Manager was established in 1971 and currently manages 222 multifamily units throughout Alabama, Florida, Georgia, Mississippi, Missouri, North and South Carolina, Tennessee, and the U.S. Virgin Islands.

Any previous experience of the Property Manager is no assurance that the Development will be successful.

The Architect

The architect for the Development will be Gallo Herbert Architects (the “Architect”). Founded in 1988, the Architect has been the principal architect on over 12 multifamily projects containing over 2,000 units throughout Florida.

Any previous experience of the Architect is no assurance that the Development will be successful.

THE BONDS

The following is a summary of certain provisions of the Bonds. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Bond, a copy of which is on file with the Trustee.

General

The Bonds will be dated and will bear interest from their dated date at the rate per annum, and mature in the principal amount and on the maturity date set forth on the front cover of this Official Statement. Interest on the Bonds will be payable initially on December 1, 2018* and semiannually thereafter on June 1* and December 1* of each year until maturity or earlier mandatory tender. Principal of the Bonds will be payable (i) at the Trust Office of the Trustee upon presentation and surrender of the Bonds as the same become due, and (ii) upon the request of any registered owner of Bonds on the applicable Record Date having an aggregate principal amount of \$1,000,000 or more, by wire transfer of immediately available funds from the Trustee. If the date of payment of principal or interest on the Bonds shall not be a Business Day, then such payment may be made on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided for such payment.

The Bonds will be issued in book-entry form only in denominations of \$5,000 and integral multiples thereof and, when issued, will be registered in the name of Cede & Co., as registered owner and

* Preliminary; subject to change.

nominee of The Depository Trust Company, New York, New York (“DTC”). See “THE BONDS – Book-Entry Only System” below.

Redemption of Bonds

The Bonds are not subject to redemption prior to the Mandatory Tender Date.

On and after the Mandatory Tender Date, the Bonds may be redeemed, in whole but not in part, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, which date, if any, shall be a Business Day determined by the Borrower in consultation with the Remarketing Agent, in the event the Borrower exercises the option to prepay the Note and amounts are paid from the proceeds of refunding bonds or otherwise from Preference Proof Moneys upon the written direction of the Borrower delivered to the Issuer and the Trustee.

Notice of Redemption

The Bonds shall be called for optional redemption pursuant to the provisions described under the caption “Redemption of Bonds” above by the Trustee upon receipt by the Trustee and the Issuer, at least 25 days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee), of a certificate of the Borrower specifying the provision or provisions of the Indenture pursuant to which such Bonds are to be called for redemption. In the case of every redemption, the Trustee shall cause notice of such redemption to be given by mailing by first class mail postage prepaid a copy of the redemption notice to the Bondholders designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not more than 30 nor less than 20 days prior to the redemption date, provided, however, that failure to receive such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. So long as the Bonds are in book entry form, notice of redemption will be given by the Trustee only to DTC or its successor. Redemption is conditioned upon the Trustee having sufficient moneys on deposit in the Project Fund and the Collateral Fund, on or prior to the redemption date, to redeem all of the Bonds called for redemption, and if the Trustee does not have sufficient funds for this purpose, no Bonds shall be redeemed. The Trustee shall furnish the Borrower, the Investor Limited Partner, the Issuer, the Remarketing Agent and the Rating Agency with a copy of each notice of redemption given with respect to any optional redemption under the Indenture, as soon as practicable after the delivery of notice to the Bondholders.

Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. Each notice of redemption may also state that the redemption is conditioned on receipt of sufficient moneys for such redemption by the Trustee on or prior to the redemption date; if sufficient moneys are not so received, the redemption of the Bonds for which notice was given shall not be made.

Mandatory Tender

The Bonds are subject to mandatory tender in whole and not in part on the Mandatory Tender Date and shall be purchased at a price equal to 100 percent of the principal amount of such Bonds, plus accrued interest, if any to the Mandatory Tender Date, and without premium. No later than 10:00 a.m., New York City time, on the Mandatory Tender Date, the Holders shall deliver the Bonds to the Trustee. The Trustee shall utilize the following sources of payments to pay the tender price of the Bonds not later than 1:30 p.m. New York City time on the Mandatory Tender Date, in the following priority; (i) amounts representing proceeds of remarketed Bonds received pursuant to the Indenture, to pay the principal

amount, plus accrued interest, of Bonds tendered for purchase, (ii) amounts on deposit in the Collateral Fund and the Project Fund, to pay the principal amount of Bonds tendered for purchase, (iii) amounts on deposit in the Capitalized Interest Account of the Bond Fund to pay the accrued interest, if any, on Bonds tendered for purchase, and (iv) any other Preference Proof Moneys available or made available for such purpose at the direction of the Borrower.

In the event that the conditions required for remarketing set forth in the Indenture are not satisfied and/or the Trustee shall not have received remarketing proceeds on the Mandatory Tender Date equal to the principal amount of the Bonds Outstanding on such date, the Bonds shall be purchased in whole on the Mandatory Tender Date using amounts on deposit in the Collateral Fund, the Project Fund and the Bond Fund, and, immediately following such purchase, the Bonds shall be deemed redeemed on the Mandatory Tender Date and cancelled by the Trustee.

Not less than 30 days before the Mandatory Tender Date, the Trustee shall give written notice of mandatory tender and remarketing to the Holders by first class mail, postage prepaid, at their respective addresses as they appear on registration books kept by the Trustee as Bond Registrar. The notice shall state the Mandatory Tender Date and that:

- (1) all Outstanding Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date and must be tendered for purchase on the Mandatory Tender Date;
- (2) all Outstanding Bonds will be purchased on the Mandatory Tender Date at a price equal to the principal amount of the Outstanding Bonds plus interest accrued to the Mandatory Tender Date;
- (3) Holders will not have the right to elect to retain their Bonds and any Bonds not tendered will nevertheless be deemed to have been tendered and will cease to bear interest from and after the Mandatory Tender Date; and
- (4) the address of the office of the Trustee at which Holders should deliver their Bonds for purchase on the Mandatory Tender Date.

If notice is given as described under this caption, failure of any Holder to receive such notice, or any defect in the notice, shall not affect the remarketing or the validity of the proceedings for the remarketing of the Bonds.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrower believes to be reliable, but the Borrower takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be initially issued and issuable only as one fully registered Bond certificate for each maturity, registered in the name of Cede & Co. as partnership nominee of DTC. Those fully registered Bonds will be deposited with and retained in the custody of DTC.

For ease of reference in this and other discussions, reference to "DTC" includes when applicable any successor securities depository and the nominee of the depository.

For all purposes under the Bond proceedings, DTC will be and will be considered by the Issuer and the Trustee to be the owner or Holder of the Bonds.

Owners of book entry interests in the Bonds (book entry interest owners) will not receive or have the right to receive physical delivery of Bonds, and will not be or be considered by the Issuer and the Trustee to be, and will not have any rights as, owners or holders of Bonds under the Bond proceedings.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the book entry interest owner) is in turn to be recorded on the Direct and Indirect Participant's records. Book entry interest owners will not receive written confirmation from DTC of their purchase, but are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the book entry interest owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of book entry interest owners. Book entry interest owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in actual ownership. DTC has no knowledge of the book entry interest owners (or beneficial owners) of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the book entry interest owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to book entry

interest owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and debt service payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to book entry interest owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and debt service payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the book entry interest owners will be the responsibility of Direct and Indirect Participants.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), Bond certificates will be delivered as described in the Indenture.

The Issuer, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Issuer determines that: (i) DTC is unable to discharge its responsibilities with respect to the Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds. In the event that no substitute securities depository is found by the Issuer, or restricted registration is no longer in effect, Bond certificates will be delivered as described in the Indenture.

With regard to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Trustee will have no responsibility or obligation to any Direct Participant or to any Indirect Participant. Without limiting the preceding sentence, the Issuer and the Trustee will have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Direct Participant or Indirect Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Direct Participant or Indirect Participant or any other person, other than Cede & Co., as nominee of DTC, of any notice with respect to the Bonds, or (iii) the payment to any Direct Participant or Indirect Participant or any person, other than Cede & Co., as nominee of DTC, of any amount with respect to the principal of or interest on the Bonds.

CERTAIN BONDHOLDERS' RISKS

The following is a summary of certain risks associated with a purchase of the Bonds. There are other possible risks not discussed below. The Bonds are payable from the payments to be made by the Borrower under the Bond Loan Agreement and the Note and from amounts on deposit in the Capitalized Interest Account, if any, the Proceeds Account of the Project Fund, and the Collateral Fund, and the projected investment earnings thereon.

Limited Security

The Bonds are special, limited obligations of the Issuer payable solely from certain funds pledged to and held by the Trustee pursuant to the Indenture, including the Bond Fund, the Proceeds Account of the Project Fund and the Collateral Fund. See “SECURITY FOR THE BONDS - Limited Obligations of the Issuer” herein. The Bonds will not be secured by a deed of trust or other security interest in the Development.

Lender Collateral Deposit; Disbursement of Lender Loan Proceeds

As described under the heading “SECURITY FOR THE BONDS – The Collateral Fund; Application of Lender Collateral Deposit” above, a Lender Collateral Deposit will be disbursed and deposited into the Collateral Fund and the Capitalized Interest Deposit, if any, on behalf of the Borrower from Lender Loan proceeds will be deposited to the Capitalized Interest Account under the Indenture as a condition precedent to the disbursement of the Bond proceeds in an equal amount to pay a portion of the costs of acquiring, rehabilitating and equipping the Development. In order to have Lender initiate the transfer of a Lender Collateral Deposit into the Collateral Fund the Borrower will be required to satisfy any agreements relating to the Lender Loan. Failure of the Borrower to satisfy additional future conditions could result in the Lender’s suspending payments from the reserve account held under the Security Agreement until the conditions have been satisfied which, in turn, could result in the inability of the Borrower to pay the costs of completing the Development. However, such a failure to complete the Development would not affect the security for the Bonds or cause a default on the Bonds.

Exercise of Legal Remedies

The ability of the Issuer to enforce its rights or exercise its remedies upon default under the Bond Loan Agreement is dependent upon regulatory and judicial actions which may be subject to discretion and delay. Under existing law and judicial decisions (including laws relating to bankruptcy), the remedies provided for under the Documents may not be readily available or may be limited.

Taxability of the Bonds

THE BONDS ARE NOT SUBJECT TO ACCELERATION OR REDEMPTION UPON ANY DETERMINATION OF TAXABILITY OF INTEREST ON THE BONDS. IN ADDITION, THE RATE OF INTEREST ON THE BONDS IS NOT SUBJECT TO ADJUSTMENT BY REASON OF THE INTEREST ON THE BONDS BEING INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION. Such event could occur if the Borrower (or any subsequent owner of the Development) or other parties to the transaction do not comply with the provisions of the Land Use Restriction Agreement, certain other tax-related agreements executed in connection with the Bonds, and the Bond Loan Agreement, or if the transaction is deemed not to comply with requirements of the Code in order for the interest on the Bonds to be excluded from gross income for federal income tax purposes. Under such circumstances, interest on the Bonds might become subject to federal income taxation retroactive to the date of issuance or some other subsequent date. See “APPENDIX B – DOCUMENT

SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT” and “TAX MATTERS” herein.

Rating Based on Permitted Investments

The rating on the Bonds is based upon the Bonds being fully secured by Permitted Investments held in the Trust Estate. If one or more of such investments fail to meet the rating standards for Permitted Investments after their purchase and prior to their maturity, such a change may result in a downgrade or withdrawal of the rating on the Bonds.

Secondary Markets and Prices

No representation is made concerning the existence of any secondary market for the Bonds. The Underwriter will not be obligated to repurchase any of the Bonds, nor can any assurance be given that any secondary market will develop following the completion of the offering of the Bonds. Further, there can be no assurance that the initial offering prices for the Bonds will continue for any period of time. Furthermore, the Bonds should be purchased for their projected returns only and not for any resale potential, which may or may not exist.

TAX MATTERS

Legal matters incident to the authorization, validity and issuance of the Bonds are subject to the unqualified approving opinion of Bryant Miller Olive P.A., Orlando, Florida, whose opinion will be available at the time of delivery of the Bonds. It is anticipated that the approving opinion will be in substantially the form attached to this Official Statement as Appendix C.

Section 142(d) of the Code provides an exclusion from federal income tax for interest on certain governmental obligations, such as the Bonds, the proceeds of which are used to provide financing for a “qualified residential rental project”. The Bonds shall be exempt from federal income tax if at all times during the Qualified Project Period either 20% or more of the units are set aside for tenants having incomes of 50% or less of area median gross income or 40% or more of the units are set aside for tenants having incomes of 60% or less of area median gross income.

Under the Treasury Regulations, the failure to satisfy the foregoing requirements on a continuous basis or the failure to satisfy any of the other requirements of the Treasury Regulations will, unless corrected within a reasonable period of time of not less than sixty (60) days after such noncompliance is first discovered or should have been discovered, cause loss of the tax exempt status of the Bonds as of the date of issuance of the Bonds, irrespective of the date such noncompliance actually occurred.

The Issuer has established requirements, procedures and safeguards which it believes to be sufficient to ensure the Development’s compliance with the requirements of Section 142(d) of the Code and the Treasury Regulations. Such requirements, procedures, and safeguards are incorporated into the Bond Loan Agreement and the Land Use Restriction Agreement. Additionally, no assurance can be given that in the event of a breach of any of the provisions or covenants described above, the remedies available to the Issuer or the Trustee can be judicially enforced in such manner as to assure compliance with Section 142(d) of the Code and therefore to prevent the loss of tax exemption of interest on the Bonds. The opinion of Bond Counsel described below relies, in part, upon certifications by the Borrower as to compliance with Section 142(d) of the Code.

Section 148 of the Code provides that interest on the Bonds will not be excludable from gross income for federal income tax purposes unless (a) the investment of the proceeds of the Bonds meets

certain arbitrage requirements and (b) certain “excess” earnings on such investments are rebated to the United States of America (collectively, the “Arbitrage Restrictions”). To the extent that the Arbitrage Restrictions are applicable to the Borrower, the Borrower has covenanted in the Bond Loan Agreement and the Issuer has covenanted in the Indenture, that each will comply with such restrictions. In the event of non-compliance by the Issuer, the Trustee or the Borrower with the Arbitrage Restrictions, interest on the Bonds may be taxable for federal income tax purposes from the date of issuance of the Bonds.

The Issuer and the Borrower have each covenanted to comply with certain other applicable provisions of the Code which are required as a condition to the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Code includes requirements which the Issuer and the Borrower must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The Issuer’s or the Borrower’s failure to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Issuer and the Borrower have covenanted in the Indenture, the Bond Loan Agreement and the Land Use Restriction Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer and the Borrower (and, except as permitted by Treasury Regulation Section 1.103(b)(6)(iii), any successor owner of the Development) with the above referenced requirements of the Code, interest on the Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, except for interest on any Bond for any period during which the Bond is held by a person who is a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Code. Additionally, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. The alternative minimum tax on corporations has been repealed for taxable years starting on and after January 1, 2018.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds or, in the case of a financial institution, that portion of the Bondholder’s interest expense allocable to interest on the Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies, (iii) the inclusion of interest on Bonds in the earnings of certain foreign corporations doing business in the United States of America for purposes of a branch profits tax, (iv) the inclusion of interest on Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion of interest on Bonds by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining the taxability of such benefits.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Bonds.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUALS AND CORPORATE BONDHOLDERS. PROSPECTIVE BONDOWNERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to “backup withholding” at the rate specified in the Code with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to

backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The opinion of Bond Counsel will be delivered contemporaneously with the delivery of the Bonds substantially in the form attached hereto as Appendix C.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) has agreed to purchase the Bonds from the Issuer at a price of one hundred percent (100%) of the principal amount thereof. The Underwriter will be paid an aggregate fee of \$_____ for underwriting the Bonds, inclusive of expenses, except for the fees and expenses of its counsel. The Bond Purchase Agreement provides that the obligation of the Underwriter to purchase the Bonds is subject to certain terms and conditions and the approval of certain legal matters by counsel.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and if applicable equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps) and the Underwriter and its affiliates may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the Issuer and/or Borrower. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer and/or Borrower. The Underwriter does not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

The initial public offering prices of the Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering price stated on the inside cover of this Official Statement.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the underwriter does not guarantee the accuracy or completeness of such information.

In addition to serving as Underwriter, RBC Capital Markets, LLC has been designated to serve as Remarketing Agent and will receive a fee for its remarketing services in connection with the remarketing, if any, of the Bonds on the Mandatory Tender Date.

The Underwriter will also serve as bidding agent for certain of the Permitted Investments to be purchased with amounts on deposit in the Proceeds Account of the Project Fund, the Collateral Fund and Bond Fund under the Indenture. For this service, the Underwriter will be compensated a fee of \$2,500 by the provider of such Permitted Investments. This fee is separate from and in addition to the fee set forth above for underwriting the Bonds.

RATING

The Bonds are expected to be assigned a rating of “AA+” by S&P Global Ratings (“S&P,” and in its capacity as rating agency for the Bonds, the “Rating Agency”). On August 5, 2011, S&P lowered the

long-term sovereign credit rating of the United States of America to “AA+” from “AAA” but affirmed the “A-1+” short-term rating of the United States of America. No assurance can be given that the rating of the United States of America will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P. Any such downward revision or withdrawal of the rating of the United States of America may have an adverse effect on the market price of the Bonds.

The rating expected to be assigned to the Bonds described above reflects only the view of the Rating Agency, and an explanation of the significance of such rating may be obtained from the Rating Agency at 55 Water Street, 38th Floor, New York, New York 10041-0003. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the Rating Agency if in the judgment of the Rating Agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Any desired explanation of the significance of the rating should be obtained from the Rating Agency. Certain information and materials not included in this Official Statement were furnished to the Rating Agency. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the rating agency.

The rating is not a recommendation to buy, sell, or hold the Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered, suspended or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. Any such change in, suspension or withdrawal of such rating could have an adverse effect on the market price of the Bonds if a registered owner attempts to sell the same.

The Issuer has not assumed any responsibility either to notify the owners of any proposed change in, suspension or withdrawal of such rating subsequent to the date of this Official Statement, and the Borrower has such responsibility only in connection with the reporting of events as provided in the Continuing Disclosure Agreement. Neither of them has any responsibility to contest any such revision, suspension or withdrawal.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the execution and delivery of the Indenture and the Bond Loan Agreement are subject to the approving opinion of Bryant Miller Olive P.A., Bond Counsel, Orlando, Florida, which will be furnished at the expense of the Borrower (the “Bond Counsel Opinion”). See “APPENDIX C – PROPOSED FORM OF OPINION OF BOND COUNSEL” hereto. Certain legal matters will be passed upon for the Issuer by its Counsel, the Office of the General Counsel of the City of Jacksonville, Florida. Certain legal matters will be passed upon for the Borrower by its counsel, Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A., Miami, Florida, and for the Underwriter by its counsel, Norris George & Ostrow PLLC, Washington, D.C. Fees and expenses of certain of the above-mentioned counsel are contingent upon the issuance of the Bonds.

Bryant Miller Olive P.A., whose legal services as Bond Counsel have been retained by the Issuer, will opine on the date of issuance of the Bonds with regard to the exclusion from gross income of interest on the Bonds. See “TAX MATTERS” herein. The proposed text of the legal opinion is set forth in APPENDIX C. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery of the Bonds. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

In rendering its approving opinion, Bond Counsel will rely on certifications and representations of fact to be contained in the transcript of proceedings which Bond Counsel will not have independently verified.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering the legal opinion, the opinion giver does not become an insurer or guarantor of an expression of professional judgment of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO LITIGATION

The Borrower

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which service of process has been effected on the Borrower or, to the knowledge of the Borrower, threatened in writing against or affecting the Borrower, or to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the existence of the Borrower, the Borrower's financial condition or operations, the transactions contemplated by this Official Statement, the exclusion of interest on the Bonds from the gross income, for federal income tax purposes, of the owners of the Bonds or the validity or enforceability of the Bonds, the Indenture, the Bond Loan Agreement, the Note, or any other agreement or instrument to which the Borrower is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

The Issuer

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which service of process has been effected on the Issuer or, to the knowledge of the Issuer, threatened against or affecting the Issuer, or to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement, the validity or enforceability of the Bonds, the exclusion of interest on the Bonds from the gross income of the owners of the Bonds for federal income tax purposes or the validity or enforceability of the Bonds, the Indenture, the Bond Loan Agreement, the Note, or any other agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

CONTINUING DISCLOSURE

The Borrower will enter into a Continuing Disclosure Agreement dated as of June 1, 2018 (the "Continuing Disclosure Agreement") with the Trustee, acting as the Dissemination Agent, obligating the Borrower to send, or cause to be sent, certain financial information with respect to the Development to the Municipal Securities Rulemaking Board annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board, of certain enumerated events for the benefit of the beneficial owners and Holders of any of the Bonds, pursuant to the requirements of Section (b)(5)(i) of Securities Exchange Commission Rule 15c2-12 (the "Rule"). See APPENDIX D - "FORM OF CONTINUING DISCLOSURE AGREEMENT."

A failure by the Borrower to comply with the provisions of the Continuing Disclosure Agreement will not constitute a default under the Indenture or Bond Loan Agreement (although Bondholders will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a

failure to comply is required to be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

The Borrower is a new entity and has not previously been subject to the continuing disclosure requirements of the Rule.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee, the Issuer and the Owners of the Bonds upon an Event of Default under the Bond Loan Agreement, the Land Use Restriction Agreement or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, including specifically the Federal Bankruptcy Code, the remedies provided for under the Federal Bankruptcy Code, the Bond Loan Agreement, the Land Use Restriction Agreement or the Indenture may not be readily available or may be limited.

In addition, the Bond Loan Agreement and the Land Use Restriction Agreement both provide that the payment obligations of the Borrower contained in such agreements (other than certain obligations to the Issuer and the Trustee individually and not on behalf of the Owners of the Bonds) will be limited obligations payable solely from the income and assets of the Borrower, and that no partner of the Borrower will have any personal liability for the satisfaction of any payment obligation of the Borrower under such agreements or of any claim against the Borrower arising out of such agreements or the Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

DISCLOSURE REQUIRED BY SECTION 517.051(1), FLORIDA STATUTES

Rule 69W-400.003, Rules of Government Securities, promulgated by the Florida Department of Banking and Finance, Division of Securities, under Section 517.051(1), Florida Statutes ("Rule 69W-400.003"), requires the Issuer to disclose each and every default as to the payment of principal and interest with respect to obligations issued or guaranteed by the Issuer after December 31, 1975. Rule 69W-400.003 further provides, however, that if the Issuer in good faith believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted.

The Bonds do not constitute a general debt, liability or obligation of the Issuer, but are instead secured by amounts on deposit under the Indenture and by other security discussed herein. The Bonds are not being offered on the basis of the financial strength of the Issuer. Accordingly, the Issuer, in good faith, believes that disclosure of any such default on bonds with respect to which the Issuer was merely a conduit issuer and which are secured solely by payments of the borrower under a loan agreement, lease agreement or installment sale agreement, would not be considered material by a reasonable investor in the Bonds.

ESCROW VERIFICATION REPORT

Causey, Demgen & Moore P.C., certified public accountants (the “Verifier”), concurrently with the issuance of the Bonds, will deliver to the Underwriter its verification report indicating that it has verified the arithmetical accuracy of certain computations provided by the Underwriter relating to the computation of forecasted receipts of principal and interest on the obligations and certain cash deposited as security for the Bonds, and the forecasted payments of principal and interest to pay the Bonds at their redemption or maturity dates. All such computations have been based solely upon assumptions and information supplied by the Underwriter. The Verifier restricted its procedures to verifying the arithmetical accuracy of the computations described above and has not made any study or evaluation of the assumptions and information on which the computations are based, and the Verifier has not expressed any opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcomes.

FINANCIAL ADVISORS

The Issuer has retained The Hendrickson Company, Tallahassee, Florida, and The Community Concepts Group, Inc., Tallahassee, Florida, as co-financial advisors (together, the “Financial Advisors”) to the Issuer in connection with the preparation of the Issuer’s plan of financing and with respect to the authorization and issuance of the Bonds. Although the Financial Advisors assisted in the preparation of this Official Statement, the Financial Advisors have not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

MISCELLANEOUS

Copies of the Indenture, the Bond Loan Agreement, the Note and the Land Use Restriction Agreement are on file at the office of the Trustee and are available for inspection upon request.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer or the Borrower and the purchasers or holders of any of the Bonds.

The Issuer makes no representations with respect to any information in this Official Statement other than the information under the headings “THE ISSUER,” “NO LITIGATION - The Issuer” and “DISCLOSURE REQUIRED BY SECTION 517.051(1), FLORIDA STATUTES.”

This Official Statement has been approved by the Issuer and the Borrower for distribution to current Bondholders and potential purchasers of the Bonds.

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[Signature Page to Official Statement – Caroline Arms Apartments]

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Bryan Hartnett, President

APPENDIX A

DEFINITIONS

“Act” means, collectively, Florida Housing Finance Authority Law, Part IV, Chapter 159, Florida Statutes, as amended and supplemented from time to time, Chapter 52 Ordinance Code of the City, as amended, Ordinance 2014-185-E of the City, Resolution No. 2018-241-A of the City, a Resolution of the Issuer adopted on March 21, 2018 and a Resolution of the Issuer adopted on June 18, 2018.

“Agreement” or “Bond Loan Agreement” means the Loan Agreement dated as of the same date as the Indenture, between the Issuer and the Borrower and any and all supplements thereto.

“Arbitrage Certificate” means the Arbitrage Certificate, dated the Closing Date, executed by the Issuer in connection with the issuance of the Bonds.

“Arbitrage Rebate Agreement” means the Arbitrage Rebate Agreement, dated as of June 1, 2018, among the Issuer, the Trustee and the Borrower in connection with the issuance of the Bonds.

Bond” or “Bonds” means the Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 issued, authenticated and delivered under the Indenture.

“Bond Counsel” means nationally recognized bond counsel selected by the Issuer.

“Bond Documents” means, with respect to the Bonds, the Bonds, the Indenture, the Bond Purchase Agreement, the Land Use Restriction Agreement, the Continuing Disclosure Agreement, the Arbitrage Rebate Agreement, the Guarantor Documents, the Tax Certificates, the Servicing Agreement, the Compliance Monitoring Agreement and any and all documents executed in connection with the Bonds.

“Bond Fund” means the Bond Fund created under the Indenture.

“Bondholder” or “Holder of the Bonds” or “Holder” or “Owner of the Bonds” or “Owner” when used with respect to any Bond, means the person or persons in whose name such Bond is registered as the owner thereof on the books of the Issuer maintained at the Trust Office of the Trustee for that purpose.

“Bond Loan Agreement” means the Loan Agreement, dated as of June 1, 2018, by and between the Issuer and the Borrower and any and all supplements thereto, pursuant to which the Loan is being made to the Borrower.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated _____, 2018, among the Issuer, the Borrower and the Underwriter.

“Bond Registrar” has the meaning assigned to it in the Indenture.

“Book Entry Form” or “Book Entry System” means a form or system, as applicable, under which (i) the ownership of beneficial interests in the Bonds may be transferred only through a book entry and (ii) physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as holder, with the physical bond certificates “immobilized” in the custody of the Securities Depository.

“Borrower” means Caroline Arms Preservation, Ltd., a Florida limited partnership, duly organized and existing in the State of Florida, its successors and assigns.

“Borrower Costs of Issuance” means all fees, costs and expenses (other than the Issuer Costs of Issuance) incurred in connection with the issuance of the Bonds and the extension of the Loan.

“Borrower Costs of Issuance Account” means the account by that name created in the Cost of Issuance Fund pursuant to the Indenture.

“Borrower Documents” means the Bond Loan Agreement, the Note, the Proceeds Certificate, the Arbitrage Rebate Agreement, the Land Use Restriction Agreement, the Bond Purchase Agreement, the Official Statement, the Continuing Disclosure Agreement, the Guarantor Documents and any and all documents, agreements or instruments executed by the Borrower in connection with the Loan evidenced by the Bond Loan Agreement.

“Borrower Obligations” means the obligations of the Borrower under the Bond Loan Agreement, the Note, and the other Borrower Documents to (a) pay the principal of, and interest on the Note, when and as the same shall become due and payable (whether at the stated maturity thereof, on any payment date or by acceleration of maturity or otherwise), (b) pay all other amounts required by the Bond Loan Agreement, the Note, and the other Borrower Documents to be paid by the Borrower to the Issuer and the Trustee, as and when the same shall become due and payable, and (c) timely perform, observe and comply with all of the terms, covenants, conditions, stipulations, and agreements, express or implied, which the Borrower is required by the Bond Loan Agreement, the Note, the Land Use Restriction Agreement, and any of the other Borrower Documents, to perform or observe.

“Borrower Representative” means a person at the time designated and authorized to act on behalf of the Borrower by a written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by one of its officers, which certificate may designate an alternate or alternates.

“Business Day” or “business day” means a day, other than a Saturday or Sunday, on which (a) banks located in New York, New York, Jacksonville, Florida or in the city in which the Trust Office of the Trustee, or the office of the Trustee is located, are not required or authorized by law or executive order to close for business, and (b) the New York Stock Exchange is not closed.

“Capitalized Interest Account” means the account by that name created in the Bond Fund pursuant to the Indenture and the Bond Loan Agreement.

“Capitalized Interest Deposit” means the deposit of \$_____ to the Capitalized Interest Account on behalf of the Borrower, from proceeds of the Lender Loan or other Preference Proof Moneys, on or before the Closing Date, which is to be deposited as provided in the Indenture.

“City” means the City of Jacksonville, Florida.

“Closing Date” means the date of delivery of the Bonds in exchange for the purchase price thereof.

“Code” means the Internal Revenue Code of 1986, including applicable final, temporary and proposed regulations and revenue rulings applicable thereto, as amended from time to time.

“Collateral Fund” means the Collateral Fund created pursuant to the Indenture.

“Completion Certificate” means a certificate submitted by the Borrower Representative to the Issuer and the Trustee as provided in the Indenture and the Bond Loan Agreement.

“Completion Date” means the date upon which the Completion Certificate is delivered by the Borrower to the Issuer and the Trustee, which shall be no later than August 1, 2019*.

“Compliance Monitoring Agreement” means the Compliance Monitoring Agreement, dated as of June 1, 2018, by and among the Issuer, Seltzer, the Trustee and the Borrower, as amended, supplemented or restated from time to time.

“Construction Contract” means that certain construction contract executed between the Contractor and the Borrower relating to the rehabilitation of the Development, as that contract may be amended from time to time.

“Construction Draw Date” means the date on which a disbursement from the Project Fund shall be made solely to pay acquisition, rehabilitation and equipping costs of the Development.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of June 1, 2018 between the Borrower and the Dissemination Agent.

“Contractor” means the entity identified as the general contractor under the Construction Contract.

“Cost of Issuance Fund” means the Cost of Issuance Fund created pursuant to the Indenture.

“Costs of Issuance” means, collectively, the Issuer Costs of Issuance and the Borrower Costs of Issuance.

“Costs of Issuance Deposit” means \$_____.

“Costs of the Development” with respect to the Development shall be deemed to include all items permitted to be financed under the provisions of the Code and the Act.

“Credit Underwriting Report” means the Jacksonville Housing Finance Authority Credit Underwriting Report dated May [___], 2018 prepared by Seltzer.

“Default” means any Default under the Bond Loan Agreement as specified and defined therein.

“Developer” means Caroline Arms Developer, LLC, a Florida limited liability company, its successors and assigns.

“Development” means the multifamily rental housing development to be known as Caroline Arms Apartments, which consists of 204 apartment units and related facilities to be located in Jacksonville, Duval County, Florida.

“Dissemination Agent” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America and its permitted successors and assigns as Dissemination Agent under the Continuing Disclosure Agreement.

* Preliminary; subject to change.

“Dissemination Agent Fee” means a portion of the Trustee’s Fee payable to The Bank of New York Mellon Trust Company, N.A., in its capacity as Dissemination Agent pursuant to the Continuing Disclosure Agreement.

“Documents” means and shall include (without limitation), with respect to the Bonds, the Indenture, the Bond Documents, the Borrower Documents, the Guarantor Documents and any and all other documents which the Issuer, the Borrower or any other party or parties or their representatives, have executed and delivered, or may execute and deliver after the date of the Indenture, to evidence or secure the Bonds and the Borrower’s Obligations, or any part thereof, or in connection therewith, and any and all supplements thereto.

“Environmental Indemnity” means the Environmental Indemnity Agreement, dated as of June 1, 2018, from the Guarantors, jointly and severally, in favor of the Issuer and the Trustee.

“Event of Default” or “Default” means, when used in the Indenture, those events of default or defaults specified therein and, when used in the Bond Loan Agreement, those events of default or defaults specified therein.

“Expense Fund” means the fund by that name created and established pursuant to the Indenture.

“General Partner” means Affordable Housing Institute, Inc., a Florida not for profit corporation, and its permitted successors and assigns.

“Governmental Authority” means any federal, State or local governmental or quasi-governmental entity, including, without limitation, any agency, department, commission, board, bureau, administration, service, or other instrumentality of any governmental entity.

“Government Obligations” means direct obligations issued by the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, including, when available, time deposit SLGS, on which the full and timely payment of principal and interest is unconditionally guaranteed by the United States of America.

“Governmental Requirements” means all laws, ordinances, orders, rules or regulations of all Governmental Authorities applicable to the Development, the Issuer, the Borrower or any of the Borrower’s assets or other properties, including without limitation, laws, ordinances, orders, rules and regulations relating to securities or other public disclosures, zoning, licenses, permits, subdivision, building, safety, health, and fire protection and all environmental laws.

“Guarantor” and “Guarantors” means, individually and collectively, Caroline Arms Developer, LLC, Caroline Arms Preservation, Ltd., Affordable Housing Institute, Inc., Lincoln Caroline Arms LLC, Jeremy S. Bronfman, individually, Eli M. Bronfman, individually, Matthew Bronfman, individually and Jonathan A. Gruskin, together with their respective permitted successors and assigns.

“Guarantor Documents” means, collectively, the Environmental Indemnity, the Guaranty of Completion, the Guaranty of Recourse Obligations, and the Operating Deficit Guaranty.

“Guaranty of Completion” means the Absolute and Unconditional Guaranty of Completion, dated as of June 1, 2018, from the Guarantors, jointly and severally, in favor of the Issuer and the Trustee.

“Guaranty of Recourse Obligations” means the Continuing, Absolute and Unconditional Guaranty of Recourse Obligations, dated as of June 1, 2018, from the Guarantors, jointly and severally, in favor of the Issuer and the Trustee.

“Hazardous Materials” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBS”) and compounds containing them; lead and lead based paint; asbestos or asbestos containing materials in any form that is or could become friable; underground or above ground storage tanks, whether empty or containing any substance; any substance the presence of which at the Development is prohibited by any federal, state or local authority; any substance that requires special handling under any Hazardous Materials Law; and any other material or substance now or in the future defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” within the meaning of any Hazardous Materials Law, but does not include any such substance that is a customary and ordinary household, cleaning, office, swimming pool or landscape maintenance product used on the Development by the Borrower or any tenant or agent of the Borrower, or customary construction materials used during the course of rehabilitation and equipping of the Development by the Borrower or the Contractor, provided such use is in accordance with applicable hazardous material laws.

“Hazardous Materials Law” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials and apply to Borrower or to the Development. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, and their state analogs, including laws of the State.

“Indenture” means the Trust Indenture, dated as of June 1, 2018, between the Issuer and the Trustee, and any and all Supplements thereto, authorizing the issuance of the Bonds.

“Independent” means any person not an employee or officer of the Borrower or its affiliates.

“Interest Payment Date” means each June 1* and December 1*, beginning December 1, 2018*.

“Investment Limited Partner” means Caroline Arms 2018 LLC, a Georgia limited liability company, and its permitted successors and assigns in their capacity as the Investor Limited Partner of the Borrower.

“Issuer” means the Jacksonville Housing Finance Authority, a public body corporate and politic of the State of Florida, duly organized and existing under the laws of the State of Florida, including the Act, or any successor to its rights and obligations under the Bond Loan Agreement and the Indenture.

“Issuer Costs of Issuance” means the fees, costs and expenses incurred by the Issuer in connection with the issuance of the Bonds, payable from the Issuer Costs of Issuance Account.

* Preliminary; subject to change.

“Issuer Costs of Issuance Account” means the Account by that name created in the Cost of Issuance Fund pursuant the Indenture.

“Issuer Documents” means the Bond Loan Agreement, the Indenture, the Land Use Restriction Agreement, the Bond Purchase Agreement, the Arbitrage Certificate, the Arbitrage Rebate Agreement and any and all documents, agreements or instruments executed by the Issuer in connection with the Loan evidenced by the Bond Loan Agreement.

“Issuer Fee” means \$31,750.00* due and payable on the Closing Date and \$95,250.00* due and payable on the Maturity Date of the Bonds

“Issuer Indemnified Party” or “Issuer Indemnified Parties” means the Issuer, the past, present and future members of the Issuer, executives, employees and agents, individually and collectively.

“Issuer Servicer” means Seltzer, or any other servicer appointed by the Issuer to service the Loan on behalf of Issuer and to monitor the Development.

“Issuer Servicer Documents” means the Compliance Monitoring Agreement and the Servicing Agreement.

“Issuer Servicer Fee” means the fees and expenses of the Issuer Servicer as may be amended from time to time, and as provided in the Issuer Servicer Documents.

“Land Use Restriction Agreement” means the Land Use Restriction Agreement dated as of the same date as the Indenture by and among the Issuer, the Trustee and the Borrower relating to the Bonds and containing certain occupancy and income restrictions on the Development required by the Code, and any and all modifications thereof, amendments and Supplements thereto and substitutions therefor.

“Lender” means SunTrust Bank, a Georgia banking corporation, and its successors and assigns.

“Lender Borrower Note” means the \$14,250,000* Note (Multistate) dated as of June 1, 2018, from Borrower to the Lender to evidence its indebtedness under the Lender Loan.

“Lender Collateral Deposit” shall have the meaning given to such term in the Indenture.

“Lender Loan” means the loan made by the Lender to the Borrower in the original principal amount not to exceed \$14,250,000* pursuant to the Security Agreement, as evidenced by the Lender Borrower Note and secured by the Lender Mortgage.

“Lender Loan Documents” means the documents related to the Lender Loan, including the Security Agreement, the Lender Borrower Note, the Lender Mortgage, and any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the Lender Borrower Note.

“Lender Mortgage” means the first-lien priority Multifamily Mortgage, Assignment of Leases and Rents and Security Agreement dated as of June 1, 2018, from Borrower for the benefit of the Lender to secure the repayment of the Lender Borrower Note.

* Preliminary; subject to change.

“Loan” means the loan in the principal amount of \$12,800,000* made by the Issuer to the Borrower evidenced by the Note, described in the Bond Loan Agreement and made in connection with the issuance of the Bonds.

“Loan Documents” shall mean the Bond Loan Agreement and the Note.

“Mandatory Tender Date” means December 1, 2019*.

“Maturity Date” means December 1, 2020*.

“Note” means the Promissory Note, dated the Closing Date, from the Borrower to the Issuer in substantially the form attached as an exhibit to the Bond Loan Agreement, and any amendments, supplements or modifications thereto, which Note has been assigned by the Issuer to the Trustee.

“Official Statement” means the Official Statement dated _____, 2018, relating to the Bonds.

“Operating Deficit Guaranty” means the Continuing, Absolute and Unconditional Guaranty of Operating Deficits, dated as of June 1, 2018, from the Guarantors, jointly and severally, to the Issuer and the Trustee.

“Outstanding,” “outstanding” or “Bonds Outstanding” when used with respect to the Bonds means any Bonds theretofore authenticated and delivered under the Indenture, except:

- (a) Bonds theretofore canceled by the Trustee or theretofore delivered to the Trustee for cancellation;
- (b) Bonds for the payment of which moneys or obligations shall have been theretofore deposited with the Trustee in accordance with the Indenture; or
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture.

“Partnership Agreement” means the Amended and Restated Limited Partnership Agreement of the Borrower, dated June 1, 2018, as may be amended and supplemented from time to time.

“Permitted Investments” means (i) Government Obligations, (ii) to the extent permitted in the Indenture, money market funds rated “AAAm” by S&P that invest in Government Obligations, which funds are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended (including any money market funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such money market fund and receives reasonable compensation therefor), and (iii) Fidelity Institutional Money Market Treasury Only – Class I as long as it is rated “AAAm” by S&P. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories, and the Trustee shall have no responsibility to monitor the ratings or Permitted Investments after the initial purchase of such Permitted Investments.

* Preliminary; subject to change.

“Person” shall include an individual, association, unincorporated organization, corporation, partnership, joint venture, or government or agency or political subdivision thereof.

“Plans and Specifications” means the plans and specifications and/or the scope of work for the Development, together with such amendments thereto as are made from time to time in accordance with the Bond Loan Agreement.

“Preference Proof Moneys” means (i) Lender Loan proceeds, (ii) moneys drawn on a letter of credit, (iii) proceeds of the Bonds, or (iv) moneys in connection with which the Trustee shall have been delivered an opinion of bankruptcy counsel acceptable to it to the effect that the use of such moneys would not be avoidable as a preference under Section 547 of the United States Bankruptcy Code or give rise to a stay under Section 362(a) of the United States Bankruptcy Code.

“Proceeds Certificate” means the Proceeds Certificate, dated the Closing Date, executed by the Borrower in connection with the issuance of the Bonds.

“Project Cost Certificate” means the Project Cost Certificate, dated the Closing Date, executed by the Borrower in connection with the issuance of the Bonds.

“Project Fund” means the Project Fund created pursuant to the Indenture.

“Qualified Project Costs” means any expenditures which (a) are incurred not more than 60 days prior to the date on which the Issuer first declared its “official intent” (within the meaning of Treasury Regulation Section 1.150-2) with respect to the Development (other than preliminary expenditures with respect to the Development in an amount not exceeding 20% of the aggregate principal amount of the Bonds); (b) are made exclusively to provide facilities and improvements that constitute part of a “qualified residential rental project” within the meaning of Section 142(d) of the Code; and (c) are properly chargeable to the Development’s capital account under general federal income tax principles or that would be so chargeable with a proper election or but for a proper election by the Borrower to deduct such expenditure. However, “Qualified Project Costs” do not include (i) issuance costs of the Bonds (within the meaning of Section 147(g) of the Code) or (ii) any fee, charge or profit payable to the Borrower or a “related person” (within the meaning of Section 144(a)(3) of the Code). As used in the Indenture, the term “preliminary expenditures” includes architectural, engineering, surveying, soil testing and similar costs that were incurred prior to the commencement of acquisition, rehabilitation and equipping of the Development, but does not include land acquisition, site preparation and similar costs incident to commencement of renovation and equipping of the Development.

“Rating Agency” means S&P.

“Rebate Requirement” means the amount, if any, which is to be paid to the United States of America pursuant to Section 148(f) of the Code and the Indenture or to reduce the yield on investments to the yield on the Bonds pursuant to Section 148 of the Code.

“Rebate Analyst” means a certified public accountant, financial analyst or attorney, or any firm of the foregoing, or a financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code and selected by the Issuer and at the expense of the Borrower (payable from the Program Fee paid by the Borrower).

“Rebate Fund” means the Rebate Fund created pursuant to the Indenture.

“Record Date” means the 15th day of the month preceding the date on which interest is due and payable.

“Remarketing Agent” means initially RBC Capital Markets, LLC, and any successor Remarketing Agent that may be appointed by the Borrower.

“Remarketing Agreement” means the Remarketing Agreement, dated as of even date with the Indenture, between the Borrower and the Remarketing Agent.

“Remarketing Notice Parties” means the Borrower, the Issuer, the Trustee, the Remarketing Agent, the Investor Limited Partner and the Rating Agency.

“Remarketing Rate” means the interest rate or rates established pursuant to the Indenture and borne by the Bonds then Outstanding from and including the Mandatory Tender Date to the Maturity Date.

“Requisition” means (a) the request signed by the Borrower Representative to make a disbursement from the Project Fund on a Construction Draw Date in the manner provided pursuant to the Indenture or (b) the request signed by the Borrower Representative to make a disbursement from the Costs of Issuance Fund in the manner provided pursuant to the Indenture.

“Reserve Fund” means that Repair Reserve Fund created pursuant to the Security Agreement and held by the Lender.

“Resolutions” means the resolutions adopted by the Issuer on March 21, 2018 and June 18, 2018, duly authorizing and directing the issuance, sale and delivery of the Bonds.

“Responsible Officer” means, when used with respect to the Trustee, any vice president, assistant vice president, senior associate, associate or other officer of the Trustee within the Trust Office (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Indenture.

“Revenues” means, all payments paid or payable to the Trustee in accordance with the Bond Loan Agreement, the Loan and the Note and all investment earnings derived or to be derived on any moneys or investments held by the Trustee under the Indenture, but excluding (a) amounts paid as fees, reimbursement for expenses or for indemnification of any Issuer Indemnified Party and the Trustee, (b) amounts paid to or collected by the Issuer in connection with any Unassigned Rights of the Issuer and (c) any Rebate Requirement.

“Securities Depository” means the Depository Trust Company, its successors and assigns, or any other securities depository for the Bonds designated by the Issuer or the Borrower to the Trustee in writing.

“Security Agreement” means the Multifamily Loan and Security Agreement dated as of June 1, 2018, by and between the Borrower and the Lender and any amendments, or modifications thereof.

“Seltzer” means Seltzer Management Group, Inc. of Florida, a Florida corporation, its successors and assigns.

“Servicing Agreement” means the Construction and Loan and Servicing Agreement, dated as of June 1, 2018, by and among the Issuer, the Trustee, the Borrower and Seltzer.

“SLGS” means United States Treasuries – State and Local Government Series.

“S&P” means S&P Global Ratings, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with the approval of the Borrower.

“State” means the State of Florida.

“Supplement” or “Supplements” means any and all extensions, renewals, modifications, amendments, supplements and substitutions to the Indenture.

“Tax Certificates” means, collectively, the Arbitrage Certificate and the Proceeds Certificate.

“Term of Agreement” means the term of the Bond Loan Agreement as specified therein.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, and authorized to exercise corporate trust powers in the State, having a corporate trust office in Jacksonville, Florida and its successor or successors in the trust created by the Indenture.

“Trustee’s Fee” means the ongoing compensation and expenses payable to the Trustee as follows: (a) the acceptance fee of the Trustee of \$[_____] payable on the Closing Date; (b) the annual administration fees and expenses of the Trustee, as Trustee, Registrar and Paying Agent of \$[_____] for the ordinary services of the Trustee rendered under the Indenture during each twelve month period, payable semiannually in arrears on each Interest Payment Date; (c) the reasonable fees and charges of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture as and when the same become due, including reasonable counsel fees (including in-house counsel fees and fees prior to litigation, at trial, in insolvency proceedings or for appellate proceedings); provided, further, that the Trustee shall not be required to undertake any such extraordinary services unless provision for payment of extraordinary expenses satisfactory to the Trustee shall have been made; (d) for purposes of the Bond Loan Agreement, indemnification of the Trustee by the Borrower; and (e) the annual Dissemination Agent Fee under the Continuing Disclosure Agreement, shall be \$[_____] per year, payable semiannually on each [_____] 1* and [_____] 1*.

“Trust Estate” has the meaning given such term in the Granting Clauses of the Indenture.

“Trust Office” means the corporate trust office of the Trustee located at the address set forth in the Indenture or such other office designated by the Trustee from time to time, or such other offices as may be specified in writing to the Issuer by the Trustee.

“Unassigned Rights of the Issuer” and “Unassigned Rights” means the rights of the Issuer consisting of: (a) all rights which the Issuer Indemnified Parties may have under the Indenture, the Bond Loan Agreement and other Documents to indemnification by the Borrower and by any other persons and to payments for expenses incurred by the Issuer itself, or its officers, directors, officials, agents or

* Preliminary; subject to change.

employees; (b) the right of the Issuer to give and receive notices, reports or other information, make determinations and grant approvals under the Indenture and under the Documents; (c) the right of the Issuer to give and withhold consents and approvals under the Indenture and under the Documents; (d) the right of the Issuer to give and receive its fees and expenses pursuant to the Bond Loan Agreement and the Land Use Restriction Agreement; (e) all rights of the Issuer not otherwise assigned to the Trustee to enforce the representations, warranties, covenants and agreements of the Borrower pertaining in any manner or way, directly or indirectly to the requirements of the Act or any requirements imposed by the Issuer with respect to the Development, or necessary to assure that interest on the Bonds is excluded from gross income for federal income tax purposes, as are set forth in any of the Documents or in any other certificate or agreement executed by the Borrower; (f) all rights of the Issuer in connection with any amendment to or modification of the Documents; and (g) all enforcement remedies with respect to the foregoing.

“Underwriter” means RBC Capital Markets, LLC.

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APPENDIX B

DOCUMENT SUMMARIES

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains terms and conditions relating to the issuance and sale of Bonds under it, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Indenture to which reference is hereby made, a copy of which is on file with the Trustee. This summary uses various terms defined in the Indenture and such terms as used herein shall have the same meanings as so defined.

Funds and Accounts

The following trust funds are created by the Issuer under the Indenture to be held separately by the Trustee:

- (1) Bond Fund, and within the Bond Fund, a Capitalized Interest Account;
- (2) Project Fund, and within the Project Fund, a Proceeds Account, and an Equity Account;
- (3) Rebate Fund;
- (4) Expense Fund;
- (5) Collateral Fund; and
- (6) Costs of Issuance Fund, and within the Costs of Issuance Fund, the Issuer Costs of Issuance Account and the Borrower Costs of Issuance Account.

Bond Fund. On or before the Closing Date, upon receipt of the Capitalized Interest Deposit in accordance with the Bond Loan Agreement, the Trustee shall deposit the Capitalized Interest Deposit to the Capitalized Interest Account. All Revenues received by the Trustee, except for funds deposited in the Bond Fund (including the Capitalized Interest Account therein) or the Collateral Fund on the Closing Date and any investment earnings thereon, shall be deposited, first, to the credit of the Expense Fund to the extent of any fees, costs, or expenses described under the caption “Expense Fund” below which are due and payable, and then to the Bond Fund. In accordance with the Indenture, for so long as the Bonds are outstanding under the Indenture, funds on deposit in the Proceeds Account of the Project Fund, the Collateral Fund or the Bond Fund (including the Capitalized Interest Account therein) shall not be deposited in the Expense Fund or otherwise used to pay fees, costs or expenses described under the caption “Expense Fund” below.

The funds on deposit in the Bond Fund shall be used by the Trustee to pay principal of and interest on the Bonds on each date a payment of principal or interest is due to be made, whether by maturity, scheduled Interest Payment Date or as a result of an early redemption of the Bonds.

In the event that amounts on deposit in the Bond Fund on any Interest Payment Date, the Mandatory Tender Date, the Maturity Date or such other Bond payment date are insufficient to make the payment of principal of or interest on the Bonds when due, the Trustee shall transfer funds in the

following order to the Bond Fund and use such funds, together with amounts then on deposit in the Bond Fund, to make such payments when due:

- (a) first, from amounts on deposit in the Capitalized Interest Account;
- (b) second, from amounts on deposit in the Collateral Fund; and
- (c) third, from amounts on deposit in the Project Fund.

So long as there are any Outstanding Bonds, payments due under the Note and the Bond Loan Agreement shall be deemed made by the Trustee's transfer of funds on each Interest Payment Date from the Capitalized Interest Account or from the Collateral Fund to the Bond Fund, in an amount necessary to pay the interest on and principal (if any) of the Bonds.

Project Fund. The proceeds received upon the issuance and sale of the Bonds shall be deposited in the Proceeds Account of the Project Fund. Disbursements from the Project Fund shall be made upon the receipt by the Trustee of the following and shall be used solely to pay Costs of the Development incurred in connection with the acquisition of the Development: (1) a request or requests therefor executed by the Borrower, the Lender and the Issuer Servicer, upon a Requisition in substantially the form attached to the Indenture, (2) in the case of amounts requisitioned from the Proceeds Account, certification by a Borrower Representative that such Costs of the Development are Qualified Project Costs, and (3) in the case of requisitions from the Proceeds Account, confirmation by the Trustee that, immediately after such requested disbursement from the Proceeds Account, the sum of the moneys on deposit in the Proceeds Account of the Project Fund, the Bond Fund and the Collateral Fund, including projected earnings on Permitted Investments therein, will be equal to the aggregate principal amount of the Bonds Outstanding. Together with amounts on deposit in the Proceeds Account of the Project Fund and the proceeds of the Lender Loan, if any, on deposit in the Capitalized Interest Account, amounts on deposit in the Bond Fund and the Collateral Fund, including any investment earnings thereon, shall be sufficient at all times to pay the principal of and interest on the Bonds as and when they become due to the Mandatory Tender Date. On each date on which principal of or interest on the Bonds is due, the Trustee shall transfer a sufficient amount of funds from the Collateral Fund for deposit to the Bond Fund to enable the Trustee to make such payments as and when due.

Notwithstanding any provision of the Bond Loan Agreement or the Indenture to the contrary, the Trustee shall not disburse moneys from the Proceeds Account of the Project Fund, other than to pay principal and/or interest payments on the Bonds in accordance with the Indenture, unless and until the Trustee receives satisfactory evidence that Lender Collateral Deposits have been deposited in the Collateral Fund in an aggregate amount equal to or greater than the amount necessary to cause the sum of the amount on deposit in the Proceeds Account of the Project Fund immediately following such requested disbursement plus the amounts on deposit in the Bond Fund and the Collateral Fund, including projected earnings on Permitted Investments therein, to equal the aggregate principal amount of the Bonds Outstanding. Prior to making any disbursement, the Trustee shall verify that upon making the disbursement, the aggregate amount to be held in (i) the Collateral Fund, (ii) the Project Fund and (iii) the Bond Fund (including, without limitation, the Capitalized Interest Account therein), will be sufficient to pay principal of and interest on the Bonds as and when they become due to the Mandatory Tender Date or the Maturity Date, as applicable. Upon satisfaction of the conditions precedent set forth in this paragraph, and notwithstanding anything in the Bond Documents to the contrary, once the Lender deposits the Lender Collateral Deposit the Trustee is irrevocably and unconditionally obligated to disburse an equal amount of moneys from the Project Fund in accordance with approved Requisitions.

Rebate Fund. In accordance with the provisions set forth in the Indenture, the Trustee shall deposit into the Rebate Fund amounts paid by the Borrower pursuant to the Tax Certificates. Moneys held in the Rebate Fund are not held for the benefit of the Owners and are not part of the Trust Estate. The Issuer will designate the Rebate Analyst. As provided in the Arbitrage Rebate Agreement, the Borrower shall be responsible for causing the rebate calculations to be calculated by the Rebate Analyst and paying the Rebate Requirement. Neither the Issuer nor the Trustee shall be obligated to pay any portion of the Rebate Requirement (except from funds on deposit in the Rebate Fund). In addition, neither the Issuer nor the Trustee shall have any responsibility with respect to the calculation of the Rebate Requirement.

Any moneys held as part of the Rebate Fund and not immediately required to be paid to the United States pursuant to the Arbitrage Rebate Agreement shall be invested or reinvested by the Trustee, at the written direction of the Borrower Representative, in Government Obligations or in any money market or short term investment fund investing in or consisting solely of and secured by Government Obligations, including any such fund maintained by the Trustee or an affiliate thereof, having maturities consonant with the need for moneys as estimated by the Borrower.

Expense Fund. The Trustee shall deposit amounts received from the Borrower for the purpose of paying Trustee's Fees, the Issuer Fee, the Issuer Servicer Fee and any other fees, costs or expenses required under the Bond Loan Agreement into the Expense Fund. The Trustee shall pay such amounts to the proper persons on the dates and in the amounts due. Amounts on deposit in the Expense Fund shall be withdrawn or maintained, as appropriate by the Trustee to pay (i) to or at the direction of, the Issuer, the Issuer Fee and the Issuer Servicer Fee, (ii) to the Trustee, the Trustee's Fee, (iii) upon receipt, to the Trustee, any amounts due to the Trustee which have not been paid, other than amounts paid in accordance with clause (ii) hereof, and (iv) upon receipt, to, or at the direction of, the Issuer, the Issuer Fee or the Issuer Servicer Fee due and unpaid, other than amounts paid in accordance with clause (i) above.

Collateral Fund. Upon receipt from the Lender of the proceeds of (a) a draw on Lender's warehouse line of credit, or (b) from funds otherwise provided by Lender (the "Lender Collateral Deposit"), the Trustee shall deposit such amounts to the Collateral Fund. Together with amounts on deposit in the Proceeds Account of the Project Fund and the Bond Fund (including the Capitalized Interest Account therein), amounts on deposit in the Collateral Fund, including any investment earnings thereon, shall be sufficient at all times to pay the principal of and interest on the Bonds to the Mandatory Tender Date or the Maturity Date, as applicable. On each date on which principal of or interest on the Bonds is due, the Trustee shall transfer a sufficient amount of funds from the Collateral Fund for deposit to the Bond Fund to enable the Trustee to make such payments as and when due.

Allocation and Reallocation of Government Obligations Deposited to the Collateral Fund and the Project Fund. On the Closing Date, the Trustee shall allocate ownership of the Government Obligations acquired pursuant to the Indenture and deposited for the benefit of the Project Fund and the Collateral Fund as follows: The Trustee shall allocate to the Collateral Fund a percentage of such Government Obligations equal to the amount of the Lender Collateral Deposit by the Lender to the Trustee for deposit to the Collateral Fund on the Closing Date divided by the aggregate Outstanding principal amount of the Bonds and multiplied by 100 (the "Initial Collateral Fund Percentage") and the remainder (i.e., 100% minus the Initial Collateral Fund Percentage, referred to as the "Initial Project Fund Percentage") shall be allocated to the Proceeds Account of the Project Fund. On each subsequent month when an additional Lender Collateral Deposit is presented by the Lender for deposit to the Collateral Fund (the "Subsequent Allocation Date"), the dollar amount of such Lender Collateral Deposit shall be added to all prior Lender Collateral Deposits, and the percentage of such Government Obligations allocated to the Collateral Fund shall be adjusted to that percentage equal to the aggregate Lender Collateral Deposits through such date divided by the aggregate Outstanding principal amount of the

Bonds and multiplied by 100 (the “Collateral Fund Percentage”) and the remainder (i.e., 100% minus the Collateral Fund Percentage, referred to as the “Project Fund Percentage”) shall be allocated to the Proceeds Account of the Project Fund. On each Subsequent Allocation Date, the Trustee shall be deemed to have liquidated that portion of the Government Obligations allocated to the Proceeds Account of the Project Fund and purchased equivalent Government Obligations to be allocated to the Collateral Fund.

Cost of Issuance Fund. On or before the Closing Date the Borrower shall deliver the Cost of Issuance Deposit to the Trustee. On the Closing Date, the Trustee shall deposit or transfer, as applicable, the Cost of Issuance Deposit into either the Issuer Cost of Issuance Account or the Borrower Cost of Issuance Account of the Cost of Issuance Fund as designated in the closing memorandum prepared by the Underwriter and executed by the Borrower and the Issuer in connection with the issuance of the Bonds.

Except as otherwise provided in the Indenture, the amounts deposited in the Cost of Issuance Fund shall be expended for Costs of Issuance and for no other purpose. The Issuer shall deliver to the Trustee a Requisition in the form attached as an exhibit to the Indenture, executed by the Issuer, specifying in detail the amount which constitutes the Issuer Costs of Issuance to be paid or reserved to be paid under this caption, and the respective firms or persons to whom such payments are to be made. The Borrower shall deliver to a Trustee the Requisition in the form attached as an exhibit to the Indenture, executed by the Borrower (and approved by the Issuer Servicer and the Lender), specifying in detail the amount which constitutes Borrower Costs of Issuance to be paid or reserved to be paid under this caption, and the respective firms or persons to whom such payments are to be made. The Trustee shall make the payments specified therein concurrently with or as soon as may be practicable after the delivery of the Bonds.

Any moneys remaining in the Cost of Issuance Fund twelve (12) months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower upon the written instruction to the Trustee from the Borrower, in accordance with the provisions described under the caption “Payment of Excess Moneys” below. Upon final disbursement, the Trustee shall close the Cost of Issuance Fund.

Payment of Excess Moneys. Any amounts remaining in the Cost of Issuance Fund after the payment in full of all Costs of Issuance shall be paid to the Borrower in accordance with the provisions described under the caption “Cost of Issuance Fund” above, and any amounts remaining in the Collateral Fund or the Bond Fund (except for amounts then held by the Trustee in the Bond Fund for payment of principal of, or interest on, any of the Bonds) after payment in full of the principal of and interest on, the Bonds, payment of any and all fees and expenses due in accordance with the Indenture and the Bond Loan Agreement, and payment of all other costs associated with the discharge of the Bonds (or provision for payment thereof having been made as provided under the caption “Discharge of Lien” below) shall, upon written instruction to the Trustee from the Borrower (with a copy to the Issuer), be paid to the Borrower upon the expiration or sooner termination of the term of the Bond Loan Agreement notwithstanding the survival of certain provisions thereof.

Investment of Funds and Accounts

On the Closing Date, moneys on deposit in the Project Fund will be held by the Trustee uninvested until disbursed to the Borrower on the Closing Date in accordance with an approved Requisition.

Subject to the provisions described under the caption “Allocation and Reallocation of Government Obligations Deposited to the Collateral Fund and the Project Fund” above, amounts on deposit in the Collateral Fund and the Bond Fund, together with amounts, if any, remaining on deposit on

the Proceeds Account of the Project Fund after the Closing Date, shall be invested at all times in Permitted Investments.

The Trustee is directed to purchase Government Obligations maturing on or before the Mandatory Tender Date, with respect to the investment of certain amounts on deposit in the Collateral Fund, the Proceeds Account of the Project Fund, and the Bond Fund (including the Capitalized Interest Account therein), the principal and interest of which, along with amounts on deposit in the Capitalized Interest Account, if any, will be sufficient to pay principal and interest on the Bonds when due.

Such instructions shall be detailed in the closing memorandum prepared by the Underwriter. All interest earned from the foregoing investments shall be deposited in the Bond Fund. Such funds shall remain on deposit until the Mandatory Tender Date, on which date they will be withdrawn to make payment on the Bonds. In the event that any investments in the Project Fund, the Bond Fund, or the Collateral Fund must be liquidated prior to the Mandatory Tender Date, such investments shall be liquidated under the Indenture.

After the Mandatory Tender Date, if the Bonds remain outstanding, the Trustee shall purchase Permitted Investments at the direction of the Borrower, the principal and interest of which, along with amounts on deposit in the Capitalized Interest Account, if any, will be sufficient to pay principal and interest on the Bonds when due.

Any investment under the Indenture shall comply with Section 148 of the Code. The Trustee may not sell any investment at a loss, unless being sold pursuant to the Indenture or in connection with an acceleration as set forth under the caption "Events of Default and Acceleration" below.

The investments described in each of the above paragraphs shall be made by the Trustee pursuant to the direction provided by the Indenture and in accordance with the written direction of the Borrower to be provided on the Closing Date, which shall remain in effect until further written direction is provided by the Borrower. In the absence of investment instructions from the Borrower, the Trustee shall invest the moneys held in the Bond Fund, the Project Fund or Collateral Fund in money market funds described in parts (ii) and (iii) of the definition of Permitted Investments.

Amounts, if any, on deposit in the Cost of Issuance Fund, until disbursed or returned to the Borrower pursuant to the Indenture, shall be invested in Permitted Investments, with respect to amounts on deposit in the Issuer Costs of Issuance Account at the direction of the Issuer, and with respect to amounts on deposit in the Borrower Costs of Issuance Account, at the direction of the Borrower. The Expense Fund shall be invested in Permitted Investments at the direction of the Issuer. In the absence of investment instructions from the Borrower or the Issuer, as applicable, the Trustee shall not be responsible or liable for keeping the moneys held in the Cost of Issuance Fund or the Expense Fund under the Indenture fully invested in Permitted Investments.

Investment of Rebate Fund

Any moneys held as part of the Rebate Fund, and not immediately required for the purposes of the Rebate Fund, shall be invested or reinvested by the Trustee, at the written direction of the Borrower Representative, in Government Obligations or in any money market or short term investment fund investing in or consisting solely of and secured by Government Obligations, including any such fund maintained by the Trustee or an affiliate thereof having maturities consistent with the need for funds as estimated by the Borrower. In the absence of investment instructions from the Borrower Representative, the Trustee shall not be responsible or liable for keeping the moneys held as part of the Rebate Fund fully

invested in Government Obligations or in any money market or short term investment fund investing in or consisting solely of and secured by Government Obligations.

Discharge of Lien

If and when the Bonds secured by the Indenture shall become due and payable in accordance with their terms as provided in the Indenture, or otherwise, and the whole amount of the principal and the interest so due and payable upon all of the Bonds, together with all other amounts payable under the Indenture by the Issuer and all fees and expenses of the Trustee and the Issuer, shall be paid, or provision shall have been made for the payment of the same, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon request of the Borrower, the Trustee shall turn over to the Borrower, so long as there shall have occurred no Event of Default which is uncured and continuing, any surplus in the Collateral Fund and all balances remaining in any other fund created under the Indenture and shall assign and transfer to the Borrower all other property then held by the Trustee under the Indenture and shall execute such documents as may be reasonably required by the Borrower, to satisfy the Bonds and release the Lender Mortgage.

If and when the Trustee shall hold sufficient moneys under the Indenture, as verified to the Trustee in writing by an Independent public accounting firm of national reputation or other firm similarly experienced in performing such computations, to provide for payment of the whole amount of the principal and interest due and payable and thereafter to become due and payable upon all the Bonds, together with all other amounts (exclusive of amounts in the Rebate Fund or the Expense Fund) payable or which may thereafter become payable under the Indenture by the Issuer, notwithstanding that all the Bonds have not yet become due and payable and that consequently the right, title and interest of the Trustee in and to the Trust Estate shall not have ceased, terminated and become void as described in the prior paragraph, the Trustee, on demand of the Borrower, shall deposit with the Borrower, so long as there shall have occurred no Event of Default which is uncured and continuing, or to such person, body or authority as may be entitled to receive the same, any surplus in the Collateral Fund in excess of the amount sufficient to pay the whole amount of the principal and interest due and payable and thereafter to become due and payable upon all Bonds together with all other amounts payable or which may thereafter become payable under the Indenture by the Issuer or the Borrower.

All Outstanding Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect described above if (a) there shall have been deposited with the Trustee (as verified to the Trustee in writing by an Independent public accounting firm of national reputation or other firm similarly experienced in performing such computations) either (i) moneys in an amount which shall be sufficient, or (ii) Government Obligations which are not subject to redemption prior to maturity, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal and interest due and to become due on such Bonds on the maturity date or mandatory tender date, as applicable, thereof, and (b) the Borrower shall have given the Trustee, in form satisfactory to it irrevocable instructions to give, as soon as practicable, a notice to the Holders of such Bonds and the Rating Agency that the deposit required by (a) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions described under this caption and stating such maturity upon which moneys are to be available for the payment of the principal and interest on such Bonds.

Events of Default and Acceleration

The following events shall constitute an “Event of Default” under the Indenture:

- (a) any interest on any Bond is not paid on the date on which the same becomes due; or
- (b) the principal of any Bond is not paid on the date on which the same becomes due, whether at the stated maturity thereof, by acceleration or otherwise; or
- (c) an Event of Default occurs under the Bond Loan Agreement; or
- (d) the Issuer fails to duly and promptly perform, comply with, or observe any covenant, condition, agreement or provision (other than as described in (a) or (b) above) contained in the Bonds or in the Indenture on the part of the Issuer to be performed, and such failure shall continue for a period of 90 days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Issuer, the Borrower and the Investor Limited Partner by the Trustee, which notice may be given by the Trustee in its discretion and shall be given at the written request of the Holders of not less than 100% in principal amount of the Bonds then Outstanding; provided, however, that if such default be such that it is correctable but cannot be corrected within 90 days, it shall not be an Event of Default if the Issuer, the Borrower or the Investor Limited Partner is taking appropriate corrective action to cure such failure and if such failure will not impair the security for the Loan or the Bonds.

If any Loan payment required under the Bond Loan Agreement to avoid a default described in (a) or (b) above shall not have been received at the close of business on the last business day preceding the day on which payment must be made to avoid a default under such (a) or (b), the Trustee shall use its best efforts to give telephonic notice of such default to the Borrower and the Investor Limited Partner of Borrower, which telephonic notice shall be confirmed by electronic, telegraphic or written notice to the Borrower and the Investor Limited Partner of Borrower. If any other default shall occur under the provisions described under this caption, the Trustee shall, within five days after having actual knowledge of such default, use its best efforts to give written notice of such default to the Issuer, the Borrower, the Investor Limited Partner of Borrower, the Holders of the Bonds and the Rating Agency. A default or an Event of Default described in (a) through (d) above shall occur even though the Trustee fails to give the notice required by this paragraph, the giving of such notice being intended solely to aid in the enforcement of the rights of Bondholders and not in limitation of such rights.

If an Event of Default specified in (a) or (b) above shall occur and be continuing, the Trustee, may, and upon written request of the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding shall, declare the principal of all Bonds then Outstanding to be immediately due and payable by notice in writing to that effect delivered to the Issuer, the Borrower, and the Rating Agency, and upon such declaration such principal, together with interest accrued thereon, shall become immediately due and payable at the place of payment provided in such notice, anything in the Indenture or in the Bonds to the contrary notwithstanding.

The Investor Limited Partner shall be entitled (but not obligated) to cure any Event of Default under the Indenture within the time frame provided to the Borrower thereunder. The Issuer and the Trustee agree that a cure of any default or Event of Default made or tendered by the Investor Limited Partner shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Remedies

Upon the happening of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Holders of not less than 51% in principal amount of the Bonds then Outstanding and receipt of satisfactory indemnity, shall:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Issuer or the Borrower to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act and the Documents including, but not limited to, foreclosing upon the security interest in or otherwise using funds on deposit in the Collateral Fund;
- (b) bring suit upon the Bonds; or
- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

Notwithstanding anything contained in the Indenture to the contrary, upon the occurrence and continuance of an Event of Default, before taking any action which may subject the Trustee to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such action.

No Interference or Impairment of Lender Loan

Notwithstanding anything in the Indenture to the contrary, none of the Issuer, the Trustee nor any other person shall:

- (a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Lender Loan; or
- (b) interfere with or attempt to interfere with or influence the exercise by the Lender of any of its rights under the Lender Loan, including, without limitation, the Lender remedial rights under the Lender Loan upon the occurrence of an event of default by the Borrower under the Lender Loan.

The foregoing prohibitions and limitations shall not be construed to affect the Unassigned Rights of the Issuer or to limit the rights of the Issuer to enforce its rights against the Borrower under the indemnification provisions of the Indenture.

Notwithstanding anything in the Indenture to the contrary, any right of the Issuer or the Trustee to take any action at law or in equity to enforce the obligations, covenants and agreements of the Borrower under the Indenture which includes any claim for indemnification, damages or any other monetary obligation sought to be enforced shall be subject and subordinate in all respects to the repayment in full of all amounts due under the Lender Loan Documents.

No subsequent owner of the Development shall be liable or obligated for the breach or default of any obligation of any prior Borrower unless specifically assumed in writing by a subsequent Borrower,

including, but not limited to, any payment or indemnification obligation. Such obligations shall be personal to the person who was the Borrower at the time the default or breach was alleged to have occurred and such person shall remain liable for any and all damages occasioned by the default or breach even after such person ceases to be the Borrower with regards the Development.

Promptly upon determining that an Event of Default under the Indenture has occurred, the Issuer or the Trustee shall, by notice in writing to the Lender, inform the Lender that such Event of Default has occurred, the nature of such Event of Default and that such Event of Default has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such Event of Default, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Lender Loan or to foreclose on the Lender Mortgage.

Amendments to Indenture and Bond Loan Agreement Not Requiring Consent of Bondholders

The Issuer and the Trustee may, from time to time and at any time, without the consent of Bondholders, enter into agreements supplemental to the Indenture and the Bond Loan Agreement as follows:

- (1) to specify and determine any matters and things relative to Bonds which shall not materially adversely affect the interest of the Bondholders;
- (2) to cure any formal defect, omission or ambiguity in the Indenture or the Bond Loan Agreement if such action does not materially adversely affect the rights of the Bondholders;
- (3) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (4) to add to the covenants and agreements of the Issuer in the Indenture or the Bond Loan Agreement other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture or the Bond Loan Agreement as theretofore in effect;
- (5) to add to the limitations and restrictions in the Indenture or the Bond Loan Agreement, other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture or the Bond Loan Agreement as theretofore in effect;
- (6) to confirm, as further assurance, any pledge under and the subjection to any claim, lien or pledge created, or to be created by, the Indenture, of the Revenues or of any other moneys, securities or funds; or
- (7) to modify, amend or supplement the Indenture or the Bond Loan Agreement in any respect which, in the judgment of the Trustee, is not materially adverse to the interests of the owners of the Bonds.

Before the Issuer shall enter into any agreement supplemental to the Indenture pursuant to the provisions described under this caption, there shall have been filed with the Trustee an opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by the Indenture and complies with its terms, and that upon adoption it will be valid and binding upon the Issuer in accordance with its terms. The opinion of Bond Counsel filed with the Trustee shall also state that the effectiveness of the

supplemental indenture will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Trustee shall send written notice to the Rating Agency and the Borrower of any amendment to the Indenture or the Bond Loan Agreement.

Amendments to Indenture Requiring Consent of Bondholders

Subject to the terms and provisions of the Indenture and not otherwise, the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the execution and delivery by the Issuer and the Trustee of any agreement supplemental to the Indenture as shall be deemed necessary or desirable by the Issuer and the Trustee for the purposes of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture; provided, however, that, unless approved in writing by the Holders of all of the Bonds then Outstanding, nothing in the Indenture contained shall permit, or be construed as permitting, (i) a change in the terms of maturity of the principal of or the interest on any Outstanding Bond, or a reduction in the principal amount of any Outstanding Bond or the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge or assignment of, the Trust Estate ranking prior to or on a parity with the claim, lien, assignment or pledge created by the Indenture, or the release of the Trust Estate or any part thereof (except to the extent permitted pursuant to the Documents), or (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for any action or consent by Bondholders set forth in the Indenture, including (without limitation) that required for consent to such supplemental indentures. The provisions of the Indenture shall not limit or otherwise affect the ability of the Issuer to enter into agreements supplemental to the Indenture without the consent of the Bondholders.

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SUMMARY OF CERTAIN PROVISIONS OF THE BOND LOAN AGREEMENT

The Bond Loan Agreement contains terms and conditions relating to the issuance and sale of the Bonds certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Bond Loan Agreement to which reference is hereby made, copies of which are on file with the Trustee. This summary uses various terms defined in the Bond Loan Agreement and such terms as used herein shall have the same meanings as so defined.

Loan of Proceeds

The Issuer agrees, upon the terms and conditions contained in the Bond Loan Agreement and the Indenture, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds. Such proceeds shall, in accordance with the terms of the Indenture, be disbursed to or on behalf of the Borrower from the Project Fund to pay Costs of the Development in the manner consistent with the Tax Certificates. The Trustee shall make disbursements from the Project Fund as provided in the Indenture, and pursuant to the closing memorandum or upon receipt of a Requisition in substantially the form attached to the Indenture and with respect to an approved advance in accordance with the Lender Loan Documents. The Borrower agrees that the moneys transferred by the Trustee from the Project Fund to the Reserve Fund established under Security Agreement shall only be disbursed from the Reserve Fund for Qualified Project Costs as permitted by the Tax Certificates.

Borrower Required to Pay in Event Project Fund Insufficient

In the event the moneys in the Project Fund available for payment of the Costs of the Development are not sufficient to pay the Costs of the Development in full, the Borrower agrees to complete the Development and to pay that portion of the Costs of the Development in excess of the moneys available therefor in the Project Fund. The Issuer does not make any warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the Costs of the Development will be sufficient to pay all of the Costs of the Development. The Borrower agrees that if after exhaustion of the moneys in the Project Fund, the Borrower should pay any portion of the Costs of the Development pursuant to the provisions described under this caption, the Borrower shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Bonds, nor shall the Borrower be entitled to any diminution of the amounts payable under the Bond Loan Agreement. Notwithstanding the foregoing, the terms, conditions and covenants described under this caption do not in any way affect the ability of the Issuer to pursue its rights and remedies under the Guarantor Documents.

Amounts Payable

On or prior to the Closing Date, the Borrower shall deliver or cause to be delivered the Capitalized Interest Deposit to the Trustee for deposit to the Capitalized Interest Account.

The Borrower has covenanted and agreed to repay the Loan on or before any date that any payment of interest or principal is required to be made in respect of the Bonds pursuant to the Indenture, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, in immediately available funds, a sum which, together with any other moneys available for such payment in the Capitalized Interest Account and the Collateral Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or acceleration or otherwise) and interest on the Bonds as provided in the Indenture. Deposits into the Bond Fund for payments by the Trustee of principal and interest on the Bonds from

amounts in the Capitalized Interest Account or the Collateral Fund shall be credited against the Borrower's obligation to pay principal and interest on the Loan.

It is understood and agreed that all payments of principal and interest payable by the Borrower as described under this caption will be assigned by the Issuer in accordance with the terms of the Indenture to the Trustee for the benefit of the Holders of the Bonds (excluding amounts on deposit in the Rebate Fund). The Borrower consents to such assignment.

In the event the Borrower should fail to make any of the payments described under this caption, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due, at the rate of interest borne by the Bonds.

Defaults Defined

The following shall be "Defaults" under the Bond Loan Agreement and the term "Default" shall mean, whenever it is used in the Bond Loan Agreement, any one or more of the following events:

(a) failure by the Borrower to pay any amount required to be paid under the Bond Loan Agreement; or

(b) failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Bond Loan Agreement, other than as referred to in subparagraph (a) above or failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Tax Certificates, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Borrower by the Issuer or the Trustee; provided, with respect to any such failure described in this subparagraph (b), no event of default will be deemed to have occurred so long as a course of action adequate to remedy such failure will have been commenced within such 60 day period and will thereafter be diligently prosecuted to completion and the failure will be remedied thereby; or

(c) the dissolution or liquidation of the Borrower, or the voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which shall remain undismissed for ninety (90) days, or failure by the Borrower to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower to carry on its operations at the Development, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower into an agreement of composition with its creditors or the failure generally by the Borrower to pay its debts as they become due; or

(d) the occurrence and continuance of an Event of Default under the Indenture.

Remedies on Default

A copy of any notice of default provided to Borrower under any of the Borrower Documents shall also be provided to the Investor Limited Partner and the Lender. Whenever any Default as described under the caption "Defaults Defined" above shall have happened and be continuing beyond the expiration of any applicable cure period, the Trustee, or the Issuer (in the event the Trustee fails to act), may take

whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Bond Loan Agreement, the Note, the Land Use Restriction Agreement or any other Document in the event of default thereunder. Any amounts collected pursuant to action taken under this caption shall be paid into the Collateral Fund.

No Remedy Exclusive

Subject to the provisions described in “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Acceleration,” no remedy in the Bond Loan Agreement conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Loan Agreement or existing at law or in equity as of or after the date of the Bond Loan Agreement. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power nor shall it be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it, it shall not be necessary to give any notice, other than such notice as may be required in the Bond Loan Agreement. Such rights and remedies as are given to the Issuer under the Bond Loan Agreement shall also extend to the Trustee, and the Trustee and the Holders of the Bonds, subject to the provisions of the Indenture, including, but not limited to the Unassigned Rights of the Issuer, shall be entitled to the benefit of all covenants and agreements contained in the Bond Loan Agreement.

No Additional Waiver Implied by One Waiver

In the event any agreement contained in the Bond Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Bond Loan Agreement.

Right to Cure

Notwithstanding anything to the contrary in the Bond Loan Agreement or otherwise in the Borrower Documents, if the Borrower shall, for whatever reason, at any time fail to pay any amount or perform any act which it is obligated to pay or perform under any of the Borrower Documents and, as a result, a default or event of default occurs or may occur thereunder, the Investor Limited Partner shall have the right to perform such act or pay such amount on behalf of the Borrower and thereby cure or prevent such default or event of default, provided such default or event of default is cured within any applicable cure period or grace period provided to the Borrower in the Bond Loan Agreement or otherwise in the Borrower Documents. Any cure of any event of default by the Investor Limited Partner under the Borrower Documents shall be deemed a cure by Borrower thereunder.

No Interference or Impairment of Lender Loan

Notwithstanding anything in the Bond Loan Agreement to the contrary, none of the Issuer, the Trustee nor any other person shall:

- (a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Lender Loan; or

(b) interfere with or attempt to interfere with or influence the exercise by the Lender of any of its rights under the Lender Loan, including, without limitation, the Lender remedial rights under the Lender Loan upon the occurrence of an event of default by the Borrower under the Lender Loan.

The foregoing prohibitions and limitations shall not be construed to affect the Unassigned Rights of the Issuer or to limit the rights of the Issuer to enforce its rights against the Borrower under the indemnification provisions of the Bond Loan Agreement so long as it does not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

Notwithstanding anything in the Bond Loan Agreement to the contrary, any right of the Issuer or the Trustee to take any action at law or in equity to enforce the obligations, covenants and agreements of the Borrower under the Bond Loan Agreement which includes any claim for indemnification, damages or any other monetary obligation sought to be enforced shall be subject and subordinate in all respects to the repayment in full of all amounts due under the Lender Loan Documents.

No subsequent owner of the Development shall be liable or obligated for the breach or default of any obligation of any prior Borrower unless specifically assumed in writing by a subsequent Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations shall be personal to the person who was the Borrower at the time the default or breach was alleged to have occurred and such person shall remain liable for any and all damages occasioned by the default or breach even after such person ceases to be the Borrower with regards the Development.

Promptly upon determining that an Event of Default under the Bond Loan Agreement has occurred, the Issuer or the Trustee shall, by notice in writing to the Lender, inform the Lender that such Event of Default has occurred, the nature of such Event of Default and that such Event of Default has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such Event of Default, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Lender Loan or to foreclose on the Lender Mortgage.

No Pecuniary Liability of the Issuer

All obligations of the Issuer incurred under any of the Bond Documents shall be limited obligations of the Issuer, payable solely and only from the Trust Estate. The Bonds shall be payable solely from the Revenues and other funds pledged under the Indenture for the payment of the Bonds, and no owner or owners of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the State or any political subdivision or other public body of the State, nor to enforce the payment of the Bonds against any development of the Issuer, the State or any such political subdivision or other public body, except as provided in the Indenture. No member, officer, agent, director, employee, or attorney of the Issuer, including any person executing the Bond Loan Agreement or the Indenture on behalf of the Issuer, shall be liable personally under the Bond Loan Agreement or the Indenture for any reason relating to the issuance of the Bonds. No recourse shall be had for the payment of the principal of, premium, if any, or the interest on the Bonds, or for any claim based on the Bonds, or otherwise in respect of the Bonds, or based in or in respect of the Bond Loan Agreement or any amendment to the Bond Loan Agreement, against any member, officer, agent, director, employee or attorney of the Issuer, as such, of the Issuer or any successor whether by virtue of any constitution, statute or rule of law, or by enforcement of any assessment or penalty or otherwise; all such liability is, by acceptance of the Bond Loan

Agreement and as part of the consideration for the issuance of Bonds, expressly waived and released. The Issuer has no taxing power.

Amendments, Changes and Modifications

Subsequent to the issuance of the Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), and except as otherwise expressly provided in the Bond Loan Agreement, the Bond Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee, in accordance with the provisions of the Indenture. See “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Amendments to Indenture and Bond Loan Agreement Not Requiring Consent of Bondholders” and “Amendments to Indenture Requiring Consent of Bondholders” as provided herein.

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SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT

The Land Use Restriction Agreement contains terms and conditions relating to the issuance and sale of Bonds under it, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Land Use Restriction Agreement which reference is hereby made, a copy of which is on file with the Trustee. This summary uses various terms defined in the Land Use Restriction Agreement and such terms as used herein shall have the same meanings as so defined.

The Borrower will execute the Land Use Restriction Agreement with respect to the Development. The Land Use Restriction Agreement contains representations and covenants of the Borrower concerning the acquisition, rehabilitation, and equipping of the Development and the tax-exempt status of the Bonds that must be complied with continuously subsequent to the date of issuance of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes.

As used herein:

“Affiliated Party” of a person means a person such that (i) the relationship between such persons would result in a disallowance of losses under Section 267 or 707(b) of the Code, or (ii) such persons are members of the same controlled group of corporations as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein.

“Applicable Income Limit” means sixty percent (60%) of area median gross income (within the meaning of Section 142(d) of the Code) for the City of Jacksonville, Duval County, Florida, Standard Metropolitan Statistical Area, as determined by the Secretary of the United States Department of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the Housing Act, as amended (or if such program is terminated, under such program as in effect immediately before such termination), including adjustments for family size.

“Available Units” means residential units in a residential rental project that are actually occupied and residential units in the project that are unoccupied and have been leased at least once after becoming available for occupancy, provided that (a) in the case of an acquisition of an existing residential rental project, a residential unit that is unoccupied on the later of (i) the date the Development is acquired or (ii) the issue date of the First Bonds, is not an Available Unit and does not become an Available Unit until it has been leased for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been leased for the first time after the renovations are completed.

“Bond Counsel” means a firm of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of public obligations and who is acceptable to the Trustee.

“Certificate of Continuing Program Compliance” means the certificate required to be delivered by the Borrower to the Issuer Servicer and the Issuer pursuant to the Regulatory Agreement.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the

applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

“County” means Duval County, Florida.

“Current Annual Family Income” is determined in accordance with Section 8 of the Housing Act, as amended (or, if such program is terminated, under such program as in effect immediately before such termination), and includes wages and salaries, overtime pay, commissions, fees, tips and bonuses and other forms of compensation for personal services, net income from operation of a business or a profession, interest, dividends and other net income of any kind from real or personal property, periodic payments from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits or similar types of periodic receipts, payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation and severance pay, welfare assistance, periodic and determinable allowances such as alimony and child support and regular pay, special pay and allowances of a member of the Armed Forces, and other forms of income described in the Income Certification to be provided by the Borrower to the Issuer Servicer and the Issuer as provided in the Land Use Restriction Agreement, but does not include earnings of children under 18, payments received for care of foster children or adults, lump sum insurance payments, inheritances, capital gains and settlements for personal or property losses, amounts received specifically for, or in reimbursement of, the cost of medical expenses, income of a live-in aide, certain student financial assistance, special pay to a member of the Armed Forces who is exposed to hostile fire, amounts received under certain training programs and other social service programs, temporary, nonrecurring or sporadic income or other forms of income that the Income Certification specifies may be excluded.

“Development” means the multifamily residential rental housing development known as Caroline Arms Apartments, located on the Land and financed, in part, with proceeds of the Bonds pursuant to the Loan Agreement.

“Eligible Persons” means one or more natural persons or a family, irrespective of race, creed, religion, color, national origin, marital status, handicap or sex.

“Exempt Elderly Unit” means a unit within the Development meeting the requirements for exemption from the prohibition against familial status discrimination contained in Title VIII of the Civil Rights Act of 1968 (known as the Fair Housing Act), as amended.

“First Bonds” means the first issue of bonds to which Section 142(d) of the Code applies issued to finance the acquisition of a residential rental project.

“Housing Act” means the United States Housing Act of 1937, as amended from time to time, any successor legislation, and all implementing regulations issued thereunder or in furtherance thereof.

“Indenture” means the Trust Indenture, dated as of the date of the Land Use Restriction Agreement, between the Issuer and the Trustee, pursuant to which the Bonds are issued, and any amendments and supplements thereto.

“Issuer Servicer” means, initially, Seltzer Management Group, Inc., or its successors or assigns and thereafter, any Issuer Servicer employed by the Issuer to service the Loan and to monitor the Borrower’s compliance with the requirements of the Land Use Restriction Agreement, the Indenture, the Bond Loan Agreement and the Construction and Loan Servicing Agreement.

“Land” means the real property located in Duval County, Florida, described in an exhibit to the Land Use Restriction Agreement.

“Lender” means SunTrust Bank and its successors and assigns.

“Lender Mortgage” means the first-lien priority Multifamily Mortgage, Assignment of Leases and Rents and Security Agreement (Florida) dated as of June 1, 2018, from Borrower for the benefit of the Lender to secure the repayment of the Lender’s note.

“Loan” means the loan made by the Issuer to the Borrower made pursuant to the Land Use Restriction Agreement and evidenced by the Note.

“Loan Agreement” means that certain Loan Agreement entered into between the Borrower and the Issuer, dated as of June 1, 2018, as amended or supplemented from time to time.

“Lower-Income Persons” means Eligible Persons whose Current Annual Family Income does not exceed the Applicable Income Limit; provided, however, that the occupants of a unit shall not be considered to be Lower-Income Persons if all of the occupants of such unit are students (as defined in Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code. Notwithstanding the foregoing, a dwelling unit shall not fail to be treated as a dwelling unit that is occupied by Lower-Income Persons merely because such dwelling unit is occupied (a) by an individual who is a student and (i) receiving assistance under Title IV of the Social Security Act, (ii) was previously under the care and placement responsibility of the State agency program responsible for administering a plan under Part B or Part E of Title IV of the Social Security Act, or (iii) enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar federal, State or local laws, or (b) entirely by full-time students if such students are (i) single parents and their children and such parents are not dependents of another individual and such children are not dependents of another individual other than a parent of such children, or (ii) married and file a joint return.

“Note” means the promissory note of the Borrower, dated June __, 2018 to be delivered to the Issuer and assigned to the Trustee.

“Partnership Agreement” means the Amended and Restated Limited Partnership Agreement of the Borrower dated as of June 1, 2018 as the same may be amended from time to time.

“Qualified Project Period” means the period beginning on the later of (i) the first day on which at least 10% of the units in the Development are first occupied and (ii) the date the Bonds are issued, and ending on the latest of (a) the date that is fifteen years after the date on which at least 50% of the units in the Development are first occupied, (b) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding (within the meaning of the Code); (c) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates and (d) the date which is fifty (50) years from the date of issuance of the Bonds.

“Regulations” means the Income Tax Regulations issued under the Code, as applicable (including applicable final regulations or temporary regulations).

“State” means the State of Florida.

Residential Rental Property

The Borrower has declared its understanding and intent that, during the term of the Land Use Restriction Agreement, the Development is to be owned, managed, and operated, as a “project for residential rental property” as such phrase is utilized in Section 142(d) of the Code and as a “qualifying housing development” as defined in Section 159.603(6), Florida Statutes. To that end, the Borrower has represented, covenanted, and agreed as follows:

(a) The Development will be acquired and rehabilitated for the purpose of providing multifamily rental housing, and the Borrower shall own, manage, and operate the Development as a qualified residential rental project, all in accordance with Section 142(d) of the Code and Treasury Regulations Section 1.103-8(b), as the same may be amended from time to time.

(b) Each residential unit in the Development shall be contained in one or more buildings or structures located on the Land and shall be similarly designed, furnished and constructed (except as to number of bedrooms and bathrooms), each of which will contain separate and complete facilities for living, sleeping, eating, cooking and sanitation for an individual or a family, including a living area, a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range or microwave oven, refrigerator and sink, all of which are separate and distinct from the other units.

(c) None of the units in the Development will at any time be (1) utilized on a transient basis, (2) used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, nursing home, hospital, sanitarium, rest home, trailer court or park, or (3) rented for initial lease periods of less than six (6) months. No part of the Development will, at any time, be owned or used by a cooperative housing corporation or converted to condominiums.

(d) All of the units will be rented or available for rent on a continuous basis to members of the general public (other than units for a resident manager or maintenance personnel), and the Borrower will not give preference to any particular class or group of persons in renting the units in the Development, except to the extent that units are Exempt Elderly Units or are required to be leased or rented to Lower-Income Persons. Lower-Income Persons who are residents of the Development will have equal access to and enjoyment of all common facilities of the Development at all times. The Borrower will not discriminate against children of any age when renting the units in the Development (except for units that are Exempt Elderly Units).

(e) The Land consists of a parcel of real property or parcels of real property that are contiguous except for the interposition of a road, street, stream or similar property, and the Development comprises buildings, structures and facilities that are geographically contiguous and functionally related. Any common facilities financed with proceeds of the Bonds (such as swimming pools, recreational facilities, parking areas and other facilities which are reasonably required for the Development, for example, heating and cooling equipment, trash disposal equipment or units for resident managers or maintenance or security personnel) are functionally related and subordinate to the Development and are commensurate with its size and intended use.

(f) The Borrower or an Affiliated Party of the Borrower shall not occupy any of the units in the Development; provided, however, that the employee of the Borrower or an Affiliated Party of the Borrower may occupy a unit in a building or structure in the Development that contains five or more units if such employee of the Borrower or an Affiliated Party of the Borrower is a resident manager or other necessary employee (e.g., maintenance and security

personnel). No more than two units in the Development shall be occupied by resident managers or maintenance or security personnel.

(g) None of the proceeds of the Bonds (including investment earnings) may be used to provide a skybox or any other private luxury box, an airplane, or a store the principal business of which is the sale of alcoholic beverages for consumption off premises or a facility used primarily for gambling.

The requirements described under this caption shall remain in effect during the term of the Land Use Restriction Agreement (as described under the caption “Term” below).

Lower-Income Persons

The Borrower has represented, warranted and covenanted as follows:

(a) At all times during the Qualified Project Period, not less than one hundred percent (100%) of the Available Units in the Development, other than those units occupied by the Borrower or an Affiliated Party to the Borrower pursuant to paragraph (f) under the caption “Residential Rental Property” above, shall be occupied (or held available for occupancy) on a continuous basis by persons or families at the Applicable Income Limit who are Lower-Income Persons. This occupancy requirement is referred to as the “Lower-Income Requirement”).

(b) For purposes of paragraph (a) above, a unit occupied by an individual or family who at the commencement of the occupancy of such unit is a Lower-Income Person shall be counted as occupied by a Lower-Income Person, as applicable, during such individual’s or family’s tenancy in such unit, even though such individual or family ceases to be a Lower-Income Person. However, a Lower-Income Person whose income as of the most recent Income Certification (as described in the Land Use Restriction Agreement) exceeds one hundred forty percent (140%) of the Applicable Income Limit shall not continue to be treated as a Lower-Income Person if after delivery of such Income Certification, but before the delivery of the next Income Certification, any unit in the building (within the meaning of Section 42 of the Code) is occupied by a new resident who is not a Lower-Income Person. In addition, a unit that was occupied by a Lower-Income Person shall be counted as occupied by a Lower-Income Person until it is reoccupied other than for a temporary period of not more than thirty-one (31) days, at which time the unit shall be considered to be occupied by a Lower-Income Person only if the individual or family then occupying the unit satisfies the definition of a Lower-Income Person.

Sale and Conversion of Development

The Borrower shall not sell, assign, convey or transfer any material portion of the land, fixtures or improvements constituting a part of the Development, or any material portion of the personal property constituting a portion of the Development during the term of the Land Use Restriction Agreement, without (i) the prior written consent of the Issuer, which consent shall not be unreasonably withheld, and (ii) the Trustee and the Issuer having received an opinion of Bond Counsel to the effect that, in reliance upon such factual certificates as it deems appropriate and subject to such qualifications as may be generally acceptable in the industry, such sale, conveyance, transfer, or assignment will not result, under then-existing law, in interest on the Bonds, or any part thereof, becoming includable in the gross income of the holders thereof for federal income tax purposes. If a material portion of the Development financed with proceeds from the Loan is sold during the term of the Land Use Restriction Agreement and such material portion of such Development consisted of personal property or equipment, the proceeds from the sale thereof may be used by the Borrower to purchase property of similar function to be used in

connection with the Development. If such material portion of such Development consists of real property and improvements, the purchaser thereof must execute and deliver to the Borrower and the Trustee a document in form and substance reasonably satisfactory to the Issuer pursuant to which such purchaser shall agree to operate such property in compliance with the terms and conditions of the Land Use Restriction Agreement.

The Borrower shall not sell or otherwise transfer the Development in whole, nor shall there be substituted a new general partner of the Borrower or a change in the controlling ownership interest in the general partner of the Borrower, or other merger, transfer or consolidation of the Borrower, unless (A) the Borrower has received the prior written consent of the Issuer (which shall respond within a reasonable period of time and shall not unreasonably withhold such consent), (B) the Borrower shall not be in default under the Land Use Restriction Agreement, (C) it is reasonably expected that continued operation of the Development will comply with the requirements of the Land Use Restriction Agreement, (D) the subsequent purchaser or assignee shall execute any document reasonably requested by the Issuer with respect to assuming the obligations of the Borrower under the Land Use Restriction Agreement, (E) the Issuer shall not have any reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with or may be unwilling to comply with, the terms of all agreements binding on such purchaser or assignee relating to the Development, (F) the purchaser or assignee, or new general partner or entity acquiring a controlling interest in the general partner of the Borrower, shall have satisfied such other conditions as may be reasonably required by the Issuer under the circumstances, (G) the purchaser or assignee shall have first executed a document in recordable form addressed to the Issuer and the Trustee to the effect that such purchaser or assignee will comply with the terms and conditions of the Land Use Restriction Agreement and the Bond Loan Agreement (to the extent still in effect), (H) the Trustee and the Issuer shall receive an opinion of counsel reasonably acceptable to the Issuer to the effect that the purchaser's or assignee's obligations under the Land Use Restriction Agreement, the Bond Loan Agreement, the Note and any other financing documents to the extent that such documents are still in effect relating to the Bonds (collectively, the "Loan Documents") are enforceable against such purchaser or assignee in accordance with their terms, and (I) the Trustee and the Issuer shall have received an opinion of Bond Counsel to the effect that, in reliance upon such factual certificates as it deems appropriate and subject to such qualifications as may be generally acceptable in the industry, such sale, transfer, disposition or assignment will not result, under then-existing law, in interest on the Bonds, or any part thereof, not being excludable from the gross income of the holders thereof for federal income tax purposes.

It is expressly stipulated and agreed that any sale, transfer or other disposition of the Development in violation of the provisions described under this caption shall be ineffective to relieve the Borrower of its obligations under the Loan Documents. In the event that the purchaser or assignee shall assume the obligations of the Borrower under the Loan, the Bond Loan Agreement and the Land Use Restriction Agreement, the Borrower shall be released from its obligations thereunder, other than its obligations under the Land Use Restriction Agreement and the Bond Loan Agreement arising prior to such date of assumption (unless such obligations are assumed by the purchaser or transferee).

Notwithstanding anything described under this caption to the contrary, the restrictions set forth above on the sale, transfer or other disposition or encumbrance of the Development or any portion thereof shall not be applicable to any of the following: (i) leases of apartment units as contemplated by the Land Use Restriction Agreement, (ii) grants of utility related easements and service or concession related leases or easements, including, without limitation, coin-operated laundry service leases and/or television cable easements on the Development, providing same are granted in connection with the operation of the Development as contemplated by the Land Use Restriction Agreement, (iii) any sale or conveyance to a condemning governmental authority as a direct result of the condemnation or a governmental taking or a threat thereof, (iv) the placing of a mortgage lien, assignment of rents or security interests on or pertaining

to the Development after the payment of all Bonds and the release of the Lender Mortgage, (v) any transfer of partnership interests in the Borrower, other than with respect to the general partner, or in the entities which are partners in the Borrower, other than with respect to the general partner, or (vi) the removal or substitution of the general partner of the Borrower, for cause, in certain events as set forth in the Partnership Agreement, with a designee of the investor limited partner, provided however, that such general partner shall be an affiliate of the investor limited partner and provided, further, that the Borrower retains ownership of the Development.

Term

The Land Use Restriction Agreement shall remain in full force and effect until the expiration of the Qualified Project Period; provided, however, that the Land Use Restriction Agreement shall automatically terminate in the event of involuntary noncompliance with the provisions of the Land Use Restriction Agreement caused by fire or other casualty, seizure, requisition, foreclosure or transfer by deed in lieu of foreclosure, change in a federal law or an action of a federal agency that prevents the Issuer from enforcing the provisions of the Land Use Restriction Agreement, or condemnation or a similar event (as determined by Bond Counsel), but only if within a reasonable period thereafter (i) the Bonds are retired in full or (ii) the proceeds received as a result of such event are used to finance a development that complies with the provisions of the Land Use Restriction Agreement and any other applicable requirements of the Code and the Regulations. In the case of foreclosure or transfer of title by deed in lieu of foreclosure or similar event (as determined by Bond Counsel), such termination will cease to be in effect if, at any time during the remainder of the Qualified Project Period following such event, the Borrower or an Affiliated Party to the Borrower, obtains an ownership interest in the Development for federal tax purposes.

Correction of Noncompliance

The failure of the Borrower to comply with any of the provisions of the Land Use Restriction Agreement shall not be deemed a default thereunder unless such failure has not been corrected during the 60-day period immediately following the date that the Borrower, or with respect to the requirements described under the captions “Residential Rental Property” or “Lower-Income Persons” above, any of the parties to the Land Use Restriction Agreement, learned of such failure or should have learned of such failure by the exercise of reasonable diligence (which 60 day period will be extended if (i) such failure cannot reasonably be corrected within such 60 day period, (ii) diligent action to correct such failure commences within such 60 day period, (iii) such action is diligently pursued until such failure is corrected, and (iv) with respect to a failure to comply with any of the requirements described under the captions “Residential Rental Property” or “Lower-Income Persons” above, the Borrower delivers to the Issuer and the Trustee an opinion of Bond Counsel to the effect that such longer cure period will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes). Not later than the third business day next succeeding the day on which the Trustee or the Issuer Servicer learns of such failure, the Trustee or the Issuer Servicer, as applicable, shall attempt with reasonable diligence to notify the Borrower of such failure by telephonic communication; provided, that failure of the Trustee or the Issuer Servicer to notify the Borrower shall not relieve the Borrower from any of its obligations under the Land Use Restriction Agreement. The Borrower’s investor limited partner shall have the right, but not the obligation, to cure any default. The Issuer Servicer shall give written notice to the Borrower’s investor limited partner of such default.

Remedies; Enforceability

(a) The benefits of the Land Use Restriction Agreement shall inure to, and may be enforced by, respectively, (i) the Issuer and the Trustee, (ii) the holders of the Bonds and their successors and

assigns to the extent permitted by the Indenture, and (iii) solely as to certain provisions of the Land Use Restriction Agreement, the Lower-Income Persons and their successors who shall reside or be eligible to reside in units set aside for their occupancy pursuant to the provisions described under the caption "Lower-Income Persons" above for the period set forth under the caption "Term" above, whether or not the Loan may be paid in full, and whether or not the Bonds are Outstanding. If a material violation of any of the provisions of the Land Use Restriction Agreement occurs and is not cured within the period provided under the caption "Correction of Noncompliance" above, any or all of such parties may institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such violation or attempted violation, or to compel specific performance under the Land Use Restriction Agreement, it being recognized that the beneficiaries of the Borrower's obligations thereunder cannot be adequately compensated by monetary damages in the event of the Borrower's default. Other than the right of the Issuer to terminate the property manager and appoint a new property manager (as provided in paragraph (b) below), the remedies of the beneficiaries of the Land Use Restriction Agreement shall be limited to those described in the preceding sentence.

(b) In addition to such other remedies as may be provided for in the Land Use Restriction Agreement, if a violation of any of the provisions of the Land Use Restriction Agreement occurs which is not corrected during the period provided under the caption "Correction of Noncompliance" above, the Issuer (and only the Issuer) shall have the right (but not the obligation), and is specifically authorized by the Borrower, to terminate the property manager and subject to the approval of the Borrower's investor limited partner during the 15-year tax credit compliance period, appoint a new property manager of the Development to operate the Development in accordance with the Land Use Restriction Agreement and the Bond Loan Agreement and take all actions necessary, in the reasonable judgment of the Issuer, to cure any default by the Borrower under the Land Use Restriction Agreement, and such new property manager assuming such management thereunder shall be paid by or on behalf of the Borrower, from the rents, revenues, profits and income from the Development, a management fee not to exceed the prevailing management fee paid to managers of similar housing projects in the area of the County. Subject to the provisions described under the caption "Term" above, the provisions described under this caption are imposed upon and made applicable to the Land and shall run with the Land and shall be enforceable against the Borrower or any other person or entity that has or had an ownership interest in the Development at the time of such violation or attempted violation. No delay in enforcing the provisions of the Land Use Restriction Agreement as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the provisions thereof or to obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation of the Land Use Restriction Agreement at any later time or times. All rights and remedies provided in the Land Use Restriction Agreement are cumulative, non-exclusive and in addition to any and all rights and remedies that the parties and beneficiaries thereof may otherwise have.

The Borrower agrees that the appointment of a new property manager may be necessary to serve the public purpose for which the Bonds were issued and to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds following a violation of the provisions of the Land Use Restriction Agreement which is not cured within the period provided under the caption "Correction of Noncompliance" above. The Borrower expressly consents to, and agrees not to contest, the appointment of a new property manager to operate the Development following a violation by the Borrower of the provisions of the Land Use Restriction Agreement which is not cured as provided under the caption "Correction of Noncompliance" above and thereby waives any and all defenses and objections that might otherwise be raised to any such appointment of a new property manager in accordance with the terms of the Land Use Restriction Agreement. The Borrower further agrees that the Issuer shall have the right to require the Borrower to remove any manager or managing agent whose actions or inactions present a material risk of a breach of the agreements of the Borrower in the Land Use Restriction Agreement, including, without limitation, a material risk of an adverse impact on the excludability from

gross income for federal income tax purposes of interest on the Bonds and which action or inaction is not being corrected as provided for under the caption "Correction of Noncompliance" above, upon such manager or managing agent being given thirty (30) days' written notice of any violation of the Land Use Restriction Agreement, and such right shall be expressly acknowledged in any contract between the Borrower and any such manager or managing agent. The Borrower covenants and agrees to diligently and in good faith pursue the appointment and, if required, approval of such a replacement manager or managing agent.

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

On the date of issuance of the Bonds in definitive form, Bryant Miller Oliver P.A., Bond Counsel, propose to render their approving opinions in substantially the following form:

_____, 2018

Jacksonville Housing Finance Authority
Jacksonville, Florida

\$12,800,000*
Jacksonville Housing Finance Authority
Multifamily Housing Revenue Bonds
(Caroline Arms Apartments), Series 2018

Ladies and Gentlemen:

We have acted as bond counsel to the Jacksonville Housing Finance Authority (the “Authority”) in connection with the issuance and sale by the Authority of its \$12,800,000* aggregate principal amount of the Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the “Bonds”). The Authority is a public body corporate and politic, established pursuant to Chapter 159, Part IV, Florida Statutes, as amended, Chapter 52 Ordinance Code of the City of Jacksonville, Florida (the “City”), as amended, and Ordinance 2014-185-E of the City (collectively, the “Act”). The proceeds of the Bonds are being used to fund a loan by the Authority to Caroline Arms Preservation, Ltd., a Florida limited partnership (the “Borrower”), to finance a portion of the costs of the acquisition, rehabilitation and equipping of a multifamily rental housing project (the “Project”) to be occupied by “persons or families of low, moderate or middle income,” within the meaning of the Florida Housing Finance Authority Law, Sections 159.601-159.623, Florida Statutes.

In connection with the delivery of this opinion, we have examined the following: the Act; an executed copy of the Trust Indenture (the “Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as trustee (the “Trustee”), dated as of June 1, 2018, an executed copy of the Loan Agreement, by and between the Authority and the Borrower, dated as of June 1, 2018 (the “Loan Agreement”), and an executed copy of the Land Use Restriction Agreement, dated as of June 1, 2018 (the “Restriction Agreement”), by and among the Authority, the Trustee and the Borrower. In addition, we have examined and relied upon such other agreements, documents and opinions, including certificates and representations of public officials, officers and representatives of the Borrower, and various other parties participating in this transaction, as we have deemed relevant and necessary in connection with the opinions set forth below. All terms used herein in capitalized form and not otherwise defined herein shall have the same meanings as ascribed to them under the Indenture and the Loan Agreement.

The Bonds are limited obligations of the Authority, payable solely from revenues arising from the pledge and assignment by the Authority to the Trustee of certain payments to be made by the Borrower under the Loan Agreement. The Authority has no taxing power. The Bonds shall not constitute an obligation, either general or special, of the City, the State of Florida (the “State”) or of any local government thereof; and neither the City, the State, nor any local government thereof shall be liable

* Preliminary; subject to change.

thereon. Neither the faith, revenues, credit, nor taxing power of the City, the State, or any local government thereof shall be pledged to the payment of the principal of, premium (if any), or interest on the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Authority, the Borrower, the Trustee and the other parties to the issuance of the Bonds contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of the Office of General Counsel of the City, serving as counsel for the Authority, as to the due creation and valid existence of the Authority, the due adoption of the Resolution authorizing the issuance of the Bonds and the due authorization, execution and delivery of the Bonds and the compliance by the Authority with all conditions precedent to the issuance of the Bonds required under applicable local laws, rules and regulations of the City.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State and the United States of America.

Based on the foregoing, we are of the opinion, as of the date hereof, that:

(1) Pursuant to the Act, the Authority is empowered to enter in and perform its obligations under the Indenture and to issue the Bonds for the purpose of financing the Project.

(2) The Indenture has been duly authorized and executed by the Authority and, assuming due authorization and execution thereof by the Trustee, is valid and binding upon the Authority, and is enforceable in accordance with its terms, and the Bonds are entitled to the benefits and security of the Indenture for the payment thereof in accordance with the terms of the Indenture.

(3) The Loan Agreement has been duly authorized and executed by the Authority and, assuming due authorization and execution thereof by the other parties thereto, is valid and binding upon the Authority, and is enforceable in accordance with its terms.

(4) The Bonds have been duly authorized, executed and issued in accordance with the Act and the laws of the State, and represent the valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture.

(5) The Internal Revenue Code of 1986, as amended (the "Code"), contains certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for purposes of federal income taxation. Failure to comply with such requirements may cause the interest on the Bonds to become included in gross income retroactive to the date of issue of the Bonds. The Authority has covenanted in the Indenture and the Borrower has covenanted in the Loan Agreement and the Restriction Agreement, to take, or refrain from taking, such actions as are required under the Code to maintain the exclusion from gross income of the interest on the Bonds. Assuming continuing compliance by the Authority and the Borrower with the above described covenants, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes of the owners of the Bonds, except that such exclusion shall not apply to interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the Project or a "related

person” within the meaning of Section 147(a) of the Code. Additionally, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Other provisions of the Code may give rise to adverse federal income tax consequences to particular owners of the Bonds. We express no opinion regarding other federal tax consequences caused by ownership of, or the receipt or accrual of interest on, or disposition of the Bonds.

In rendering the opinion in paragraph (5) above with respect to the Bonds, we have assumed continuous compliance with certain procedures designed to meet the requirements of Section 142(d) of the Code and the regulations thereunder or applicable thereto, including the requirements that for a period of time specified in Section 142(d) of the Code and the regulations thereunder (i) at least forty percent (40%) of the occupied rental units in a project must be initially occupied, and thereafter occupied or held available for occupancy on a continuous basis by “individuals whose income is sixty percent (60%) or less of area median gross income,” within the meaning of the Code, and (ii) all of the units in a project must be available for rental on a continuous basis.

All opinions as to the enforceability of the legal obligations of the Authority set forth herein are subject to and limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors’ rights, and (ii) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief.

The scope of our engagement in relation to the issuance of the Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein, and our services as bond counsel to the City have been limited to delivering the foregoing opinions based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest on the Bonds. We express no opinion as to the financial resources of the Borrower, its ability to provide for payment of the Bonds or the accuracy or completeness of any information that may have been relied upon by anyone in making the decision to purchase Bonds. This opinion letter should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale the Bonds. We have not been engaged nor have we undertaken to review or verify and therefore express no opinion as to the accuracy, adequacy, fairness or completeness of the Official Statement related to the Bonds or any other offering material related to the Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Bonds. In addition, other than as expressly set forth herein, we have not passed upon and therefore express no opinion as to the compliance by the Authority, the Borrower, or any other party involved in this financing with, or the necessity of such parties complying with, any federal or state registration requirements or security statutes, regulations or rulings with respect to the offer and sale of the Bonds. No opinion is expressed as to the perfection or priority of the lien on the Trust Estate created by the Indenture. Further, we express no opinion regarding federal income or state tax consequences arising with respect to the Bonds other than as expressly set forth herein.

Our opinions expressed herein are predicated upon present laws, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) is executed and delivered by Caroline Arms Preservation, Ltd. (the “Borrower”) and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$12,800,000* Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the “Bonds”). The Bonds are being issued under a Trust Indenture dated as of June 1, 2018 (the “Indenture”), between the Jacksonville Housing Finance Authority (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The proceeds of the Bonds are being loaned by the Issuer to the Borrower pursuant to a Loan Agreement dated as of June 1, 2018, between the Issuer and the Borrower (the “Bond Loan Agreement”), for the purpose of the acquisition and rehabilitation of a multifamily rental housing development located in Jacksonville, Duval County, Florida, known or to be known as Caroline Arms Apartments.

The Borrower and the Dissemination Agent covenant and agree as follows:

1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report prepared by the Borrower pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

“Business Day” shall mean a day on which commercial banks located in Jacksonville, Florida are required or permitted by law to be open for the purpose of conducting a commercial banking business.

“Disclosure Representative” shall mean the authorized representative of the Borrower or his or her designee, or such other person as the Borrower shall designate in writing to the Trustee from time to time.

“Holder” shall mean the registered holder of any Bonds as reflected on the Bonds register maintained in accordance with the Indenture, or any beneficial owner reflected on the books of the registered holder.

“Material Event Filing” shall mean any of the material events listed in Section 4(a) of this Continuing Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended. All documents provided to the MSRB shall be in an electronic format and accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Continuing Disclosure Agreement shall use the MSRB’s Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

“Participating Underwriter” shall mean the original underwriter for the Bonds, if any, required to comply with the Rule in connection with offering of the Bonds.

* Preliminary; subject to change.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

2. Provision of Annual Reports.

(a) Not later than the one hundred twenty (120) days after the end of the Borrower’s fiscal year (currently December 31) except as provided in subsection (e) below, commencing with fiscal year 2018, the Borrower shall provide to the Dissemination Agent, an Annual Report prepared by an independent certified public accounting firm selected by the Borrower, together with sufficient copies of such Annual Report for filing with the MSRB. However, an annual financial statement compiled or reviewed by a licensed certified public accountant may be submitted in lieu of an audited financial statement for the Development prior to the issuance of a certificate of occupancy for any unit in the Development, provided that the subsequent annual audited financial statement shall include all operations since inception. If the Dissemination Agent has not received the Annual Report by such date, the Dissemination Agent shall notify the Borrower in writing by facsimile transmission, confirmed by telephone.

(b) The Dissemination Agent shall, as soon as practical, but in no event later than the fourteenth (14th) Business Day following receipt of an Annual Report, provide such Annual Report to the MSRB.

(c) If an Annual Report is not filed on or before the date required in any year, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit “A”.

(d) Following the Dissemination Agent filing an Annual Report with the MSRB, the Dissemination Agent shall provide a written report to the Borrower stating that the Annual Report has been provided to the MSRB pursuant to this Continuing Disclosure Agreement, and stating the date it was provided.

(e) The Borrower shall deliver Annual Reports to the Dissemination Agent at least annually, notwithstanding any fiscal year longer than twelve (12) months. The Borrower shall notify the Dissemination Agent in writing of any change in the Borrower’s fiscal year, and the Dissemination Agent shall notify the MSRB of each change in the Borrower’s fiscal year.

3. Content of Annual Reports. The Annual Report prepared by Borrower shall contain or incorporate by reference the following:

The certified audited financial statements of the Borrower for the prior fiscal year, including income statement, balance sheet, and cash flows of operations of Caroline Arms Apartments (the “Development”), prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. The Borrower shall also include in each Annual Report the Development’s current occupancy levels, current monthly rental rates and the current expenditures for monthly maintenance, taxes and property insurance.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower is an “obligated person” (as defined by the Rule), which have been filed with the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borrower shall clearly

identify each such other document so incorporated by reference. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package.

The Dissemination Agent shall have no duty or obligation to review the content of the Annual Report for compliance with this Continuing Disclosure Agreement or the Rule, but shall file the Annual Report in the form it is received by the Dissemination Agent.

4. Reporting of a Material Event Filing.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events (each, a “Material Event”):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulty;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulty;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) events that may adversely affect the tax exemption of the Bonds, including issuance by the Internal Revenue Service of proposed and final decisions about whether such Bonds can be taxed;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bonds calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes (including those relating to the Bonds, the Borrower, reserve fund surety bonds, providers of guaranteed investment contracts, and other entities directly or indirectly securing payment of the Bonds);
- (xii) bankruptcy, insolvency, receivership, or similar proceeding of the Borrower. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, trustee or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower;

(xiii) mergers, consolidations, or acquisitions of the Borrower, the sale of all or substantially all of the assets of the Borrower, or the termination of the Borrower, if material; and

(xiv) appointment of a successor or additional Trustee or paying agent or the change of the name of a Trustee or paying agent, if material;

(b) The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any Material Event, provide the Borrower with notice (by facsimile transmission confirmed by telephone), and request that the Borrower promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). The Dissemination Agent shall not be deemed to have actual knowledge of those items listed in clauses (ii), (vi), (vii), (x), and (xi) without the Dissemination Agent having received written notice of such event. For purposes of providing notice to the Borrower, the Dissemination Agent shall assume that the unscheduled draws described in clauses (iii) and (iv) reflect financial difficulty.

(c) Whenever the Borrower obtains knowledge of the occurrence of a Material Event, because of notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Borrower shall as soon as possible determine if such event is required by the Rule to be disclosed.

(d) If the Borrower has determined that a Material Event is required to be disclosed, the Borrower shall promptly prepare a written notice describing the Material Event and provide the same to the Dissemination Agent along with instructions to file the same pursuant to subsection (f) below.

(e) If the Borrower determines that a Material Event is not required to be disclosed, the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been provided with a written notice describing the Material Event and instructed by the Borrower to report the occurrence of a Material Event, the Dissemination Agent shall file the notice with the MSRB, and send a copy to the Borrower. The foregoing notwithstanding, notice of a Material Event described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

5. Successors. If the Borrower's obligations under the Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the Borrower and the original Borrower shall have no further responsibility hereunder. If the Trustee's obligations under the Indenture are assumed in full by a successor Trustee, such person shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the Dissemination Agent and the original Dissemination Agent shall have no further responsibility hereunder.

6. Amendment, Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Continuing Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Borrower) if in the opinion of counsel expert in federal securities law matters affecting governmental bonds acceptable to the Borrower and the Dissemination Agent, (i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Borrower, or the type of business it conducts, (ii) this Continuing Disclosure

Agreement, as amended, would have complied with the Rule at the time the Bonds was issued, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances, and (ii) the amendment does not materially impair the interests of the Holders. A copy of any amendment to this Continuing Disclosure Agreement shall be delivered to the MSRB.

7. Termination. This Continuing Disclosure Agreement may be terminated by any party to this Continuing Disclosure Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Continuing Disclosure Agreement; provided the termination of this Continuing Disclosure Agreement is not effective until (i) the Borrower, or its successor, enters into a new continuing disclosure agreement with a dissemination agent who agrees to continue to provide, to the MSRB and the Holders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) a nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all applicable state and federal securities laws, and (iii) notice of the termination of this Continuing Disclosure Agreement is provided to the MSRB.

The Dissemination Agent shall be fully discharged at the time any such termination is effective. This Continuing Disclosure Agreement shall terminate (i) automatically upon payment or provisions for payment of the Bonds, or (ii) when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at final maturity.

8. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Borrower shall have no obligation under the Bond Loan Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

9. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, the Dissemination Agent may (and at the request of the Holders of at least 25% in aggregate principal amount of the Bonds, shall), or any Holder may, take such action as permitted hereby. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Bond Loan Agreement, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be an action to compel performance. Anything in the Indenture to the contrary notwithstanding, the Dissemination Agent shall not be required to bring any enforcement action unless provision has been made to the satisfaction of the Dissemination Agent for payment of all fees and expenses of the Dissemination Agent and its counsel in connection with such action.

10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent has entered into this Continuing Disclosure Agreement solely in its capacity as Dissemination Agent under this Continuing Disclosure Agreement and the Indenture. Article XI of the Indenture is hereby made applicable to this Continuing Disclosure Agreement as if this Continuing Disclosure Agreement were contained in the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of

liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Dissemination Agent nor the Trustee shall have any obligation to make disclosure about the Bonds, the Borrower, or any other matter except as expressly provided herein. The fact that the Dissemination Agent and the Trustee, or any affiliate thereof, may have any fiduciary or banking relationship with the Issuer, the Borrower, any manager of the Development financed with the Bonds or any person with whom the Issuer or the Borrower contracts in connection with such Development, apart from the relationship created by the Indenture or this Continuing Disclosure Agreement, shall not be construed to mean (whether or not an Event of Default has occurred or is continuing under the Indenture) that (i) the Dissemination Agent or the Trustee has actual knowledge of any event or condition except in its capacity as Trustee under the Indenture when deemed pursuant to the Indenture to have actual knowledge or except as may be provided by written notice to the Dissemination Agent pursuant to this Continuing Disclosure Agreement or (ii) the Dissemination Agent or the Trustee has any duties or obligations under the Indenture or the Disclosure Agreement other than those expressly set forth in the Indenture and this Continuing Disclosure Agreement and in the capacity of agent to the Borrower.

11. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Issuer, the Borrower, the Dissemination Agent, the Participating Underwriters, and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

12. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

13. Notice. Any notice or other communication required or permitted to by this Continuing Disclosure Agreement must be in writing unless expressly provided otherwise herein, and to the following addresses or fax numbers (with telephone confirmation using the phone number given), or such other addresses or fax/phone numbers designated in a notice to the other party hereto:

If to the Dissemination Agent: THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.
10161 Centurion Parkway N.
Jacksonville, Florida 32256
Attention: Corporate Trust Department
Fax: (904) 645-1998

If to the Borrower: CAROLINE ARMS PRESERVATION, LTD.
c/o Lincoln Avenue Capital, LLC
201 Santa Monica Blvd, #550
Santa Monica, California 90401
Attention: Jonathan Gruskin
Phone: (424) 222-8259
Email: yoni@lincolnavcap.com

with a copy to:

STEARNS WEAVER MILLER WEISSLER
ALHADEFF & SITTERSON, P.A.
150 W. Flagler Street
Miami, Florida 33130
Attention: Brian McDonough
Phone: (305) 789-3350
Email: bmcdonough@stearnsweaver.com

with a copy to:

Caroline Arms 2018 LLC
c/o Synovus Bank
1111 Bay Avenue
Suite 501
Columbus, Georgia 30901
Attention: Neil Kinnebrew
Phone: (706) 644-1950
Email: neilKinnebrew@synovus.com

[Remainder of Page Intentionally Left Blank]

Date: as of June 1, 2018

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Bryan Hartnett, President

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,**
as Dissemination Agent

By: _____
Authorized Officer

[Signature Page to Continuing Disclosure Agreement – Caroline Arms Apartments]

EXHIBIT "A"

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Jacksonville Housing Finance Authority

Name of Issue: \$12,800,000*
Jacksonville Housing Finance Authority
Multifamily Housing Revenue Bonds
(Caroline Arms Apartments), Series 2018

Name of Borrower: Caroline Arms Preservation, Ltd.

Date of Issuance: _____, 2018

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of June 1, 2018 between The Bank of New York Mellon Trust Company, N.A. and the Borrower. [The Borrower anticipates that the Annual Report will be filed by _____.]

Dated: _____

The Bank of New York Mellon Trust Company, N.A.,
as Dissemination Agent

By: _____
Name: _____
Title: _____

cc: Borrower

* Preliminary; subject to change.

TRUST INDENTURE

By and Between

JACKSONVILLE HOUSING FINANCE AUTHORITY,
as Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of June 1, 2018

\$12,800,000
Jacksonville Housing Finance Authority
Multifamily Housing Revenue Bonds
(Caroline Arms Apartments), Series 2018

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TRUST INDENTURE

THIS TRUST INDENTURE (as amended, modified or supplemented from time to time, this “Indenture”) is entered into as of June 1, 2018, by and between **JACKSONVILLE HOUSING FINANCE AUTHORITY**, a public body corporate and politic duly created, organized and existing under the laws of the State of Florida (together with its successors and assigns, the “Issuer”) and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association authorized to exercise corporate trust powers in the State, and authorized to accept and execute trusts of the character herein set out, as Trustee (together with its successors and assigns, the “Trustee”).

RECITALS

Certain of the terms and words used in these Recitals, and in the following Granting Clauses and Agreements, are defined in Section 1.01 of this Indenture.

WHEREAS, in accordance with the Florida Housing Finance Authority Law, Part IV, Chapter 159, Florida Statutes, as amended and supplemented from time to time, Chapter 52 Ordinance Code of the City, as amended, Ordinance 2014-185-E of the City, Resolution No. [_____] of the City, a Resolution of the Issuer adopted on March 21, 2018 and a Resolution of the Issuer adopted on June 18, 2018 (collectively, the “Act”) and other applicable provisions of law, the Issuer is empowered to issue its revenue bonds, notes or other evidences of indebtedness to finance the acquisition, rehabilitation and development of multifamily rental housing for persons of low, moderate and middle income at prices or rentals they can afford; and

WHEREAS, the Issuer has determined to issue and sell its Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 in the original aggregate principal amount of \$12,800,000 (the “Bonds”), for the purpose of financing a portion of the costs of the acquisition, rehabilitation, installation and equipping of a 204-unit multifamily rental housing facility project to be occupied by persons of low, middle or moderate income and related personal property and equipment, and located in Jacksonville, Duval County, Florida (the “Project Facilities”) all pursuant to this Indenture and the Loan Agreement, dated as of June 1, 2018 (as amended, modified or supplemented from time to time, the “Bond Loan Agreement”), between the Issuer and Caroline Arms Preservation, Ltd., a Florida limited partnership duly organized and existing under the laws of the State of Florida (together with its permitted successors and assigns, the “Borrower”); and

WHEREAS, the Issuer is authorized to enter into this Indenture and to do or cause to be done all the acts and things herein provided or required to be done to finance the Project Costs by the issuance of the Bonds, all as hereinafter provided; and

WHEREAS, all acts, conditions and things required to happen, exist, and be performed precedent to and in the issuance of the Bonds and the execution and delivery of this Indenture

have happened, exist and have been performed in order to make the Bonds, when issued, delivered and authenticated, valid obligations of the Issuer in accordance with the terms thereof and hereof, and in order to make this Indenture a valid, binding and legal trust agreement for the security of the Bonds in accordance with its terms; and

WHEREAS, the Trustee has accepted the trusts created by this Indenture and has accepted its obligations hereunder, and in evidence thereof, this Indenture has been executed and delivered thereby.

WHEREAS, the Issuer will loan the proceeds of the Bonds to the Borrower by entering into a Loan Agreement dated as of June 1, 2018 (the "Bond Loan Agreement"), between the Issuer and the Borrower, and to evidence its payment obligations thereunder, the Borrower will deliver to the Issuer a Promissory Note dated the Closing Date in the amount of \$[_____] (the "Note"); and

The execution and delivery of this Indenture and the issuance and sale of the Bonds have been in all respects duly and validly authorized by the Resolutions duly adopted by the Issuer.

Accordingly, the Issuer and the Trustee agree as follows for the benefit of the other and for the benefit of the holders of the Bonds:

GRANTING CLAUSES AND AGREEMENTS

NOW, THEREFORE, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of any or all of the Bonds issued and sold by the Issuer from time to time under this Indenture by those who shall hold the same from time to time, and of the sum of one dollar, lawful money of the United States of America, duly paid to the Issuer by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal of and interest on the Bonds according to their tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bonds and the payment and performance of all other of the obligations of the Issuer, the Issuer does hereby grant, bargain, sell, convey, pledge and assign, without recourse, unto the Trustee and unto its successors in trust forever, and grants to the Trustee and to its successors in trust, a security interest in, the following (such property being herein referred to as the "Trust Estate"):

(a) All right, title and interest of the Issuer in and to all Revenues, derived or to be derived by the Issuer or the Trustee for the account of the Issuer under the terms of this Indenture and the Bond Loan Agreement (other than the Unassigned Rights of the Issuer), together with all other Revenues received by the Trustee for the account of the Issuer arising out of or on account of the Trust Estate;

(b) All right, title and interest of the Issuer in and to the Note (other than the Unassigned Rights of the Issuer) including all payments and proceeds with respect thereto or replacement thereof;

(c) Any fund or account created under this Indenture except for the Cost of Issuance Fund, the Expense Fund and the Rebate Fund;

(d) All right, title and interest of the Issuer in and to, and remedies under, the Bond Loan Agreement;

(e) All funds, moneys and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

PROVIDED, HOWEVER, that there shall be excluded from the granting clauses of this Indenture all the Unassigned Rights of the Issuer, including all amounts paid or collected by the Issuer in connection therewith, all amounts on deposit in the Rebate Fund, which shall be held for the sole benefit of the United States of America;

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in trust forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all Holders from time to time of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that if the Issuer shall well and truly pay, or cause to be paid, the principal of the Bonds issued hereunder, and interest due or to become due thereon, at the times and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall cause the payments to be made into the Collateral Fund as required under Article IV hereof or by depositing with the Trustee the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all of the covenants and conditions pursuant to the terms of this Indenture and all other of the obligations of the Issuer to be kept, performed and observed by it, the Rebate Requirement shall be paid in full and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payment, as further provided in Section 9.01 hereof, and the termination of the Bond Loan Agreement, this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise, this Indenture shall remain in full force and effect;

AND IT IS EXPRESSLY DECLARED that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all such property, moneys, revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted and does hereby agree and covenant with the Trustee and with the respective holders from time to time of the Bonds, or any part thereof, as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.01. Definitions. Certain terms used in this Indenture are defined in the Bond Loan Agreement and when and if used herein, such terms shall have the meanings given to them by the Bond Loan Agreement unless the context clearly indicates otherwise. In addition, when used in this Indenture, the following terms shall have the meanings given to them in this Section unless the context clearly indicates otherwise:

“Act” has the meaning assigned in the Recitals hereto.

“Agreement” or *“Bond Loan Agreement”* means the Loan Agreement dated as of the same date as this Indenture, between the Issuer and the Borrower and any and all supplements thereto.

“Arbitrage Certificate” means the Arbitrage Certificate, dated the Closing Date, executed by the Issuer in connection with the issuance of the Bonds.

“Arbitrage Rebate Agreement” means the Arbitrage Rebate Agreement, dated as of June 1, 2018, among the Issuer, the Trustee and the Borrower in connection with the issuance of the Bonds.

“Bond” or *“Bonds”* means the Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 issued, authenticated and delivered under this Indenture, which are identified as such in Section 2.01(a) hereof.

“Bond Counsel” means nationally recognized bond counsel selected by the Issuer.

“Bond Documents” means, with respect to the Bonds, the Bonds, this Indenture, the Bond Purchase Agreement, the Land Use Restriction Agreement, the Continuing Disclosure Agreement, the Arbitrage Rebate Agreement, the Guarantor Documents, the Tax Certificates, the Servicing Agreement, the Compliance Monitoring Agreement, and any and all documents executed in connection with the Bonds.

“Bond Fund” means the Bond Fund created in Section 4.01 of this Indenture.

“Bondholder” or “Holder of the Bonds” or “Holder” or “Owner of the Bonds” or “Owner” when used with respect to any Bond, means the person or persons in whose name such Bond is registered as the owner thereof on the books of the Issuer maintained at the Trust Office of the Trustee for that purpose.

“Bond Loan Agreement” means the Loan Agreement, dated as of June 1, 2018, by and between the Issuer and the Borrower and any and all supplements thereto, pursuant to which the Loan is being made to the Borrower.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated May [___], 2018, among the Issuer, the Borrower and the Underwriter.

“Bond Registrar” has the meaning assigned to it in Section 2.01(f) hereof.

“Book Entry Form” or “Book Entry System” means a form or system, as applicable, under which (i) the ownership of beneficial interests in the Bonds may be transferred only through a book entry and (ii) physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as holder, with the physical bond certificates “immobilized” in the custody of the Securities Depository.

“Borrower” means Caroline Arms Preservation, Ltd., a Florida limited partnership, duly organized and existing in the State of Florida, its successors and assigns.

“Borrower Costs of Issuance” means all fees, costs and expenses (other than the Issuer Costs of Issuance) incurred in connection with the issuance of the Bonds and the extension of the Loan.

“Borrower Costs of Issuance Account” means the account by that name created in the Cost of Issuance Fund pursuant to Section 4.01(f).

“Borrower Documents” means the Bond Loan Agreement, the Note, the Proceeds Certificate, the Arbitrage Rebate Agreement, the Land Use Restriction Agreement, the Bond Purchase Agreement, the Official Statement, the Continuing Disclosure Agreement, the Guarantor Documents and any and all documents, agreements or instruments executed by the Borrower in connection with the Loan evidenced by the Bond Loan Agreement.

“Borrower Obligations” means the obligations of the Borrower under the Bond Loan Agreement, the Note, and the other Borrower Documents to (a) pay the principal of, and interest on the Note, when and as the same shall become due and payable (whether at the stated maturity thereof, on any payment date or by acceleration of maturity or otherwise), (b) pay all other amounts required by the Bond Loan Agreement, the Note, and the other Borrower Documents to be paid by the Borrower to the Issuer and the Trustee, as and when the same shall become due and payable, and (c) timely perform, observe and comply with all of the terms, covenants, conditions, stipulations, and agreements, express or implied, which the

Borrower is required by the Bond Loan Agreement, the Note, the Land Use Restriction Agreement, and any of the other Borrower Documents, to perform or observe.

"Borrower Representative" means a person at the time designated and authorized to act on behalf of the Borrower by a written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by one of its officers, which certificate may designate an alternate or alternates.

"Business Day" or *"business day"* means a day, other than a Saturday or Sunday, on which (a) banks located in New York, New York, Jacksonville, Florida or in the city in which the Trust Office of the Trustee, or the office of the Trustee is located, are not required or authorized by law or executive order to close for business, and (b) the New York Stock Exchange is not closed.

"Capitalized Interest Account" means the account by that name created in the Bond Fund pursuant to Section 4.01(a) and Section 4.02 of the Bond Loan Agreement.

"Capitalized Interest Deposit" means the deposit of \$[] to the Capitalized Interest Account on behalf of the Borrower, from proceeds of the Lender Loan or other Preference Proof Moneys, on or before the Closing Date, which is to be deposited as provided in Section 4.02 hereof.

"City" means the City of Jacksonville, Florida.

"Closing Date" means the date of delivery of the Bonds in exchange for the purchase price thereof.

"Code" means the Internal Revenue Code of 1986, including applicable final, temporary and proposed regulations and revenue rulings applicable thereto, as amended from time to time.

"Collateral Fund" means the Collateral Fund created pursuant to Section 4.01 of this Indenture.

"Completion Certificate" means a certificate submitted by the Borrower Representative to the Issuer and the Trustee as provided in Section 3.05 of the Bond Loan Agreement.

"Completion Date" means the date upon which the Completion Certificate is delivered by the Borrower to the Issuer and the Trustee, which shall be no later than August 1, 2019.

"Compliance Monitoring Agreement" means the Compliance Monitoring Agreement, dated as of June 1, 2018, by and among the Issuer, Seltzer, the Trustee and the Borrower, as amended, supplemented or restated from time to time.

“Construction Contract” means that certain construction contract executed between the Contractor and the Borrower relating to the rehabilitation of the Development, as that contract may be amended from time to time.

“Construction Draw Date” means the date on which a disbursement from the Project Fund shall be made solely to pay acquisition, rehabilitation and equipping costs of the Development.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of June 1, 2018 between the Borrower and the Dissemination Agent.

“Contractor” means the entity identified as the general contractor under the Construction Contract.

“Cost of Issuance Fund” means the Cost of Issuance Fund created pursuant to Section 4.01 hereof.

“Costs of Issuance” means, collectively, the Issuer Costs of Issuance and the Borrower Costs of Issuance.

“Costs of Issuance Deposit” means \$[_____].

“Costs of the Development” with respect to the Development shall be deemed to include all items permitted to be financed under the provisions of the Code and the Act.

“Credit Underwriting Report” means the Jacksonville Housing Finance Authority Credit Underwriting Report dated May [___], 2018 prepared by Seltzer.

“Default” means any Default under the Bond Loan Agreement as specified in and defined by Section 7.01 thereof.

“Developer” means Caroline Arms Developer, LLC, a Florida limited liability company, its successors and assigns.

“Development” means the multifamily rental housing development to be known as Caroline Arms Apartments, which consists of 204 apartment units and related facilities to be located in Jacksonville, Duval County, Florida.

“Dissemination Agent” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America and its permitted successors and assigns as Dissemination Agent under the Continuing Disclosure Agreement.

“Dissemination Agent Fee” means a portion of the Trustee’s Fee payable to The Bank of New York Mellon Trust Company, N.A., in its capacity as Dissemination Agent pursuant to the Continuing Disclosure Agreement.

“Documents” means and shall include (without limitation), with respect to the Bonds, this Indenture, the Bond Documents, the Borrower Documents, the Guarantor Documents and any and all other documents which the Issuer, the Borrower or any other party or parties or their representatives, have executed and delivered, or may hereafter execute and deliver, to evidence or secure the Bonds and the Borrower’s Obligations, or any part thereof, or in connection therewith, and any and all supplements thereto.

“Environmental Indemnity” means the Environmental Indemnity Agreement, dated as of June 1, 2018, from the Guarantors, jointly and severally, in favor of the Issuer and the Trustee.

“Event of Default” or *“Default”* means, when used in this Indenture, those events of default or defaults specified in Section 10.01 hereof and, when used in the Bond Loan Agreement, those events of default or defaults specified in Section 7.01 thereof.

“Expense Fund” means the fund by that name created and established pursuant to Section 4.01 of this Indenture.

“General Partner” means Affordable Housing Institute, Inc., a Florida not for profit corporation, and its permitted successors and assigns.

“Governmental Authority” means any federal, State or local governmental or quasi-governmental entity, including, without limitation, any agency, department, commission, board, bureau, administration, service, or other instrumentality of any governmental entity.

“Government Obligations” means direct obligations issued by the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, including, when available, time deposit SLGS, on which the full and timely payment of principal and interest is unconditionally guaranteed by the United States of America.

“Governmental Requirements” means all laws, ordinances, orders, rules or regulations of all Governmental Authorities applicable to the Development, the Issuer, the Borrower or any of the Borrower’s assets or other properties, including without limitation, laws, ordinances, orders, rules and regulations relating to securities or other public disclosures, zoning, licenses, permits, subdivision, building, safety, health, and fire protection and all environmental laws.

“Guarantor” and *“Guarantors”* means, individually and collectively, Caroline Arms Developer, LLC, Caroline Arms Preservation, Ltd., Affordable Housing Institute, Inc., Lincoln Caroline Arms LLC, Jeremy S. Bronfman, individually, Eli M. Bronfman, individually, Matthew Bronfman, individually and Jonathan A. Gruskin, individually, together with their respective permitted successors and assigns.

“Guarantor Documents” means, collectively, the Environmental Indemnity, the Guaranty of Completion, the Guaranty of Recourse Obligations, and the Operating Deficit Guaranty.

“Guaranty of Completion” means the Absolute and Unconditional Guaranty of Completion, dated as of June 1, 2018, from the Guarantors, jointly and severally, in favor of the Issuer and the Trustee.

“Guaranty of Recourse Obligations” means the Continuing, Absolute and Unconditional Guaranty of Recourse Obligations, dated as of June 1, 2018, from the Guarantors, jointly and severally, in favor of the Issuer and the Trustee.

“Hazardous Materials” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBS”) and compounds containing them; lead and lead based paint; asbestos or asbestos containing materials in any form that is or could become friable; underground or above ground storage tanks, whether empty or containing any substance; any substance the presence of which at the Development is prohibited by any federal, state or local authority; any substance that requires special handling under any Hazardous Materials Law; and any other material or substance now or in the future defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” within the meaning of any Hazardous Materials Law, but does not include any such substance that is a customary and ordinary household, cleaning, office, swimming pool or landscape maintenance product used on the Development by the Borrower or any tenant or agent of the Borrower, or customary construction materials used during the course of rehabilitation and equipping of the Development by the Borrower or the Contractor, provided such use is in accordance with applicable hazardous material laws.

“Hazardous Materials Law” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials and apply to Borrower or to the Development. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, and their state analogs, including laws of the State.

“Indenture” means this Trust Indenture, dated as of June 1, 2018, between the Issuer and the Trustee, and any and all Supplements hereto, authorizing the issuance of the Bonds.

“Independent” means any person not an employee or officer of the Borrower or its affiliates.

“Interest Payment Date” means each June 1 and December 1, beginning December 1, 2018.

"Investor Limited Partner" means Caroline Arms 2018 LLC, a Georgia limited liability company, and its permitted successors and assigns in their capacity as the Investor Limited Partner of the Borrower.

"Issuer" means the Jacksonville Housing Finance Authority, a public body corporate and politic of the State of Florida, duly organized and existing under the laws of the State of Florida, including the Act, or any successor to its rights and obligations under the Bond Loan Agreement and this Indenture.

"Issuer Costs of Issuance" means the fees, costs and expenses incurred by the Issuer in connection with the issuance of the Bonds, payable from the Issuer Costs of Issuance Account.

"Issuer Costs of Issuance Account" means the Account by that name created in the Cost of Issuance Fund pursuant to Section 4.01(f).

"Issuer Documents" means the Bond Loan Agreement, this Indenture, the Land Use Restriction Agreement, the Bond Purchase Agreement, the Arbitrage Certificate, the Arbitrage Rebate Agreement and any and all documents, agreements or instruments executed by the Issuer in connection with the Loan evidenced by the Bond Loan Agreement.

"Issuer Fee" means \$31,750.00 due and payable on the Closing Date and \$95,250.00 due and payable on the Maturity Date of the Bonds.

"Issuer Indemnified Party" or *"Issuer Indemnified Parties"* means the Issuer, the past, present and future members of the Issuer, executives, employees and agents, individually and collectively.

"Issuer Servicer" means Seltzer, or any other servicer appointed by the Issuer to service the Loan on behalf of Issuer and to monitor the Development.

"Issuer Servicer Documents" means the Compliance Monitoring Agreement and the Servicing Agreement.

"Issuer Servicer Fee" means the fees and expenses of the Issuer Servicer as may be amended from time to time, and as provided in the Issuer Servicer Documents.

"Land Use Restriction Agreement" means the Land Use Restriction Agreement dated as of the same date as the Indenture by and among the Issuer, the Trustee and the Borrower relating to the Bonds and containing certain occupancy and income restrictions on the Development required by the Code, and any and all modifications thereof, amendments and Supplements thereto and substitutions therefor.

"Lender" means SunTrust Bank, a Georgia banking corporation, and its successors and assigns.

"Lender Borrower Note" means the \$[_____] Note (Multistate) dated as of June 1, 2018, from Borrower to the Lender to evidence its indebtedness under the Lender Loan.

"Lender Collateral Deposit" shall have the meaning given to such term in Section 4.03.

"Lender Loan" means the loan made by the Lender to the Borrower in the original principal amount not to exceed \$14,250,000 pursuant to the Security Agreement, as evidenced by the Lender Borrower Note and secured by the Lender Mortgage.

"Lender Loan Documents" means the documents related to the Lender Loan, including the Security Agreement, the Lender Borrower Note, the Lender Mortgage, and any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the Lender Borrower Note.

"Lender Mortgage" means the first-lien priority Multifamily Mortgage, Assignment of Leases and Rents and Security Agreement dated as of June 1, 2018, from Borrower for the benefit of the Lender to secure the repayment of the Lender Borrower Note.

"Loan" means the loan in the principal amount of \$12,800,000 made by the Issuer to the Borrower evidenced by the Note, described in the Bond Loan Agreement and made in connection with the issuance of the Bonds.

"Loan Documents" shall mean the Bond Loan Agreement and the Note.

"Maturity Date" means December 1, 2020.

"Mandatory Tender Date" means [_____] 1, 20__].

"Note" means the Promissory Note, dated the Closing Date, from the Borrower to the Issuer in substantially the form attached as Exhibit B to the Bond Loan Agreement, and any amendments, supplements or modifications thereto, which Note has been assigned by the Issuer to the Trustee.

"Notice Address" means, unless otherwise designated pursuant to Section 13.06 hereof:

(a) As to the Issuer:

Jacksonville Housing Finance Authority
214 N. Hogan Street, 7th Floor
Jacksonville, Florida 32202
Attention: Finance Director

(b) As to the Borrower:

Caroline Arms Preservation, Ltd.
c/o Lincoln Avenue Capital, LLC

595 Madison Avenue
Suite 1601 New York, New York 10022

With copies to:

Stearns Weaver Miller Weissler
Alhadeff & Sitterson, P.A.
150 W. Flagler Street
Miami, Florida 33130
Attention: Brian McDonough
Telephone: (305) 789-3350
Email: bmcdonough@stearnsweaver.com

(c) As to Investor Limited Partner:

Synovus Bank
1127 First Avenue
Columbus, Georgia 31901
Attention:
Telephone:
Email:

With copies to:

Kutak, Rock LLP
303 Peachtree Street, NE,
Suite 2750
Atlanta, Georgia
Attention: Patricia Luna
Telephone: (404) 222-4672
Email: Patricia.Luna@KutakRock.com

(d) As to the Rating Agency:

S&P Global Ratings
55 Water Street, 38th Floor
New York, New York 10041
Attention: Public Finance Structured Surveillance
Pubfin_housing@spglobal.com

(e) As to the Trustee:

The Bank of New York Mellon Trust Company, N.A.
10161 Centurion Parkway N.
Jacksonville, Florida 32256
Attention: Corporate Trust Department
Facsimile: (904) 645-1998

(f) As to Lender:

SunTrust Bank
3414 Peachtree Road NE,
Suite 975,
Atlanta, GA 30326
Telephone:
Email:
With copies to:

Krooth & Altman LLP
1850 M Street NW, Suite 400
Washington, DC 20436
Attention: Sameer Upadhya, Esquire
Telephone: (202) 293-8203
Email: supadhya@krooth.com

(g) As to Remarketing Agent:

RBC Capital Markets, LLC
100 2nd Avenue South, Suite 800
St. Petersburg, Florida 33701
Attention: Helen Feinberg
Telephone: (727) 895-8892
Email: helen.feinberg@rbccm.com

“Official Statement” means the Official Statement dated [____], 2018, relating to the Bonds.

“Operating Deficit Guaranty” means the Continuing, Absolute and Unconditional Guaranty of Operating Deficits, dated as of June 1, 2018, from the Guarantors, jointly and severally, to the Issuer and the Trustee.

“Outstanding,” “outstanding” or “Bonds Outstanding” when used with respect to the Bonds means any Bonds theretofore authenticated and delivered under this Indenture, except:

(a) Bonds theretofore canceled by the Trustee or theretofore delivered to the Trustee for cancellation;

(b) Bonds for the payment of which moneys or obligations shall have been theretofore deposited with the Trustee in accordance with Article VIII; or

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Indenture.

“Partnership Agreement” means the Amended and Restated Limited Partnership Agreement of the Borrower, dated June 1, 2018, as may be amended and supplemented from time to time.

“Permitted Investments” means (i) Government Obligations, (ii) to the extent permitted herein, money market funds rated “AAAm” by S&P that invest in Government Obligations which funds are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended (including any money market funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such money market fund and receives reasonable compensation therefor), and (iii) Fidelity Institutional Money Market Treasury Only – Class I as long as it is rated “AAAm” by S&P. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories, and the Trustee shall have no responsibility to monitor the ratings or Permitted Investments after the initial purchase of such Permitted Investments.

“Person” shall include an individual, association, unincorporated organization, corporation, partnership, joint venture, or government or agency or political subdivision thereof.

“Plans and Specifications” means the plans and specifications and/or the scope of work for the Development, together with such amendments thereto as are made from time to time in accordance with Section 5.07 of the Bond Loan Agreement.

“Preference Proof Moneys” means (i) Lender Loan proceeds, (ii) moneys drawn on a letter of credit, (iii) proceeds of the Bonds, or (iv) moneys in connection with which the Trustee shall have been delivered an opinion of bankruptcy counsel acceptable to it to the effect that the use of such moneys would not be avoidable as a preference under Section 547 of the United States

Bankruptcy Code or give rise to a stay under Section 362(a) of the United States Bankruptcy Code.

“Proceeds Certificate” means the Proceeds Certificate, dated the Closing Date, executed by the Borrower in connection with the issuance of the Bonds.

“Project Cost Certificate” means the Project Cost Certificate, dated the Closing Date, executed by the Borrower in connection with the issuance of the Bonds.

“Project Fund” means the Project Fund created in Section 4.01 of this Indenture.

“Qualified Project Costs” means any expenditures which (a) are incurred not more than 60 days prior to the date on which the Issuer first declared its “official intent” (within the meaning of Treasury Regulation Section 1.150-2) with respect to the Development (other than preliminary expenditures with respect to the Development in an amount not exceeding 20% of the aggregate principal amount of the Bonds); (b) are made exclusively to provide facilities and improvements that constitute part of a “qualified residential rental project” within the meaning of Section 142(d) of the Code; and (c) are properly chargeable to the Development’s capital account under general federal income tax principles or that would be so chargeable with a proper election or but for a proper election by the Borrower to deduct such expenditure. However, “Qualified Project Costs” do not include (i) issuance costs of the Bonds (within the meaning of Section 147(g) of the Code) or (ii) any fee, charge or profit payable to the Borrower or a “related person” (within the meaning of Section 144(a)(3) of the Code). As used herein, the term “preliminary expenditures” includes architectural, engineering, surveying, soil testing and similar costs that were incurred prior to the commencement of acquisition, rehabilitation and equipping of the Development, but does not include land acquisition, site preparation and similar costs incident to commencement of renovation and equipping of the Development.

“Rating Agency” means S&P.

“Rebate Requirement” means the amount, if any, which is to be paid to the United States of America pursuant to Section 148(f) of the Code and Section 5.01 hereof or to reduce the yield on investments to the yield on the Bonds pursuant to Section 148 of the Code.

“Rebate Analyst” means a certified public accountant, financial analyst or attorney, or any firm of the foregoing, or a financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code and selected by the Issuer and at the expense of the Borrower (payable from the Program Fee paid by the Borrower).

“Rebate Fund” means the Rebate Fund created in Section 4.01 of this Indenture.

“Record Date” means the 15th day of the month preceding the date on which interest is due and payable.

“Remarketing Agent” means initially RBC Capital Markets, LLC, and any successor Remarketing Agent that may be appointed by the Borrower.

“Remarketing Agreement” means the Remarketing Agreement, dated as of even date with this Indenture, between the Borrower and the Remarketing Agent.

“Remarketing Notice Parties” means the Borrower, the Issuer, the Trustee, the Remarketing Agent, the Investor Limited Partner and the Rating Agency.

“Remarketing Rate” means the interest rate or rates established pursuant to Article III hereof and borne by the Bonds then Outstanding from and including the Mandatory Tender Date to the Maturity Date.

“Requisition” means (a) the request signed by the Borrower Representative to make a disbursement from the Project Fund on a Construction Draw Date in the manner provided pursuant to Section 6.02 of this Indenture or (b) the request signed by the Borrower Representative to make a disbursement from the Costs of Issuance Fund in the manner provided pursuant to Section 4.04(b) of this Indenture.

“Reserve Fund” means that Repair Reserve Fund created pursuant to the Security Agreement and held by the Lender.

“Resolutions” means the resolutions adopted by the Issuer on March 21, 2018 and June 18, 2018 duly authorizing and directing the issuance, sale and delivery of the Bonds.

“Responsible Officer” means, when used with respect to the Trustee, any vice president, assistant vice president, senior associate, associate or other officer of the Trustee within the Trust Office (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

“Revenues” means, all payments paid or payable to the Trustee in accordance with the Bond Loan Agreement, the Loan and the Note and all investment earnings derived or to be derived on any moneys or investments held by the Trustee hereunder, but excluding (a) amounts paid as fees, reimbursement for expenses or for indemnification of any Issuer Indemnified Party and the Trustee, (b) amounts paid to or collected by the Issuer in connection with any Unassigned Rights of the Issuer and (c) any Rebate Requirement.

“Securities Depository” means the Depository Trust Company, its successors and assigns, or any other securities depository for the Bonds designated by the Issuer or the Borrower to the Trustee in writing.

“Security Agreement” means the Multifamily Loan and Security Agreement dated as of June 1, 2018, by and between the Borrower and the Lender and any amendments, or modifications thereof.

“Seltzer” means Seltzer Management Group, Inc. of Florida, a Florida corporation, its successors and assigns.

“Servicing Agreement” means the Construction and Loan and Servicing Agreement, dated as of June 1, 2018, by and among the Issuer, the Trustee, the Borrower and Seltzer.

“SLGS” means United States Treasuries – State and Local Government Series.

“S&P” means S&P Global Ratings, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, *“S&P”* shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with the approval of the Borrower.

“State” means the State of Florida.

“Supplement” or *“Supplements”* means any and all extensions, renewals, modifications, amendments, supplements and substitutions to this Indenture.

“Tax Certificates” means, collectively, the Arbitrage Certificate and the Proceeds Certificate.

“Term of Agreement” means the term of the Bond Loan Agreement as specified in Section 9.01 of the Bond Loan Agreement.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, and authorized to exercise corporate trust powers in the State, having a corporate trust office in Jacksonville, Florida, and its successor or successors in the trust created by this Indenture.

“Trustee’s Fee” means the ongoing compensation and expenses payable to the Trustee as follows: (a) the acceptance fee of the Trustee of \$[_____] payable on the Closing Date; (b) the annual administration fees and expenses of the Trustee, as Trustee, Registrar and Paying Agent of \$[_____] for the ordinary services of the Trustee rendered under this Indenture during each twelve month period, payable semiannually in arrears on each Interest Payment Date; (c) the reasonable fees and charges of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under this Indenture as and when the same become due, including reasonable counsel fees (including in-house counsel fees and fees prior to litigation, at trial, in insolvency proceedings or for appellate proceedings); provided, further, that the Trustee shall not be required to undertake any such extraordinary services unless provision for payment of extraordinary expenses satisfactory to the Trustee shall have been

made; (d) for purposes of the Bond Loan Agreement, indemnification of the Trustee by the Borrower; and (e) the annual Dissemination Agent Fee under the Continuing Disclosure Agreement, shall be \$[____] per year, payable semiannually on each [____] 1 and [____] 1.

“Trust Estate” has the meaning given such term in the Granting Clauses of this Trust Indenture.

“Trust Office” means the corporate trust office of the Trustee located at the address set forth in Article I hereof or such other office designated by the Trustee from time to time, or such other offices as may be specified in writing to the Issuer by the Trustee.

“Unassigned Rights of the Issuer” and *“Unassigned Rights”* means the rights of the Issuer consisting of: (a) all rights which the Issuer Indemnified Parties may have under this Indenture, the Bond Loan Agreement and other Documents to indemnification by the Borrower and by any other persons and to payments for expenses incurred by the Issuer itself, or its officers, directors, officials, agents or employees; (b) the right of the Issuer to give and receive notices, reports or other information, make determinations and grant approvals hereunder and under the Documents; (c) the right of the Issuer to give and withhold consents and approvals hereunder and under the Documents; (d) the right of the Issuer to give and receive its fees and expenses pursuant to the Bond Loan Agreement and the Land Use Restriction Agreement; (e) all rights of the Issuer not otherwise assigned to the Trustee to enforce the representations, warranties, covenants and agreements of the Borrower pertaining in any manner or way, directly or indirectly to the requirements of the Act or any requirements imposed by the Issuer with respect to the Development, or necessary to assure that interest on the Bonds is excluded from gross income for federal income tax purposes, as are set forth in any of the Documents or in any other certificate or agreement executed by the Borrower; (f) all rights of the Issuer in connection with any amendment to or modification of the Documents; and (g) all enforcement remedies with respect to the foregoing.

“Underwriter” means RBC Capital Markets, LLC.

Section 1.02. Rules of Construction. The words “hereof,” “herein,” “hereunder,” “hereto,” and other words of similar import refer to this Indenture in its entirety.

The terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants.”

References to Articles, Sections, and other subdivisions of this Indenture are to the designated Articles, Sections, and other subdivisions of this Indenture.

The headings of this Indenture are for convenience only and shall not define or limit the provisions hereof.

All references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

Any reference to particular sections or subsections of the Code and applicable income tax regulations shall include any successor provisions of law or regulations, to the extent the same shall apply to the Bonds.

Any reference to a Bond or to the Bonds shall include each portion in the minimum authorized denomination of any registered bond having a denomination greater than the minimum authorized denomination.

ARTICLE II

CREATION OF BONDS; DETAILS OF THE BONDS

Section 2.01. Authorization and Terms of Bonds.

(a) *Authorization of Bonds.* The Issuer hereby authorizes for issuance under this Indenture, bonds in the original aggregate principal amount of \$[_____] which shall be designated the "Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018" to be issued as hereinafter provided.

(b) *Registered Form; Numbering.* The Bonds shall be issuable only as fully registered Bonds in authorized denominations, substantially in the form, appropriately completed, attached hereto as Exhibit A and made a part hereof. The Bonds shall be lettered "R," and shall be numbered separately from "1" consecutively upward.

(c) *Date, Denominations, Interest Rate and Maturity.* The Bonds shall be dated the Closing Date, shall be issued in denominations of \$5,000 each or integral multiples thereof, shall bear interest from the Closing Date to the Mandatory Tender Date at the rate of [____]% and thereafter at the Remarketing Rate, payable semiannually on each Interest Payment Date and shall mature on the Maturity Date.

(d) *Book Entry Form.* Initially, the Bonds shall be in Book Entry Form by issuing a single bond in the amount of \$[_____] , registered in the name of Cede & Co., as nominee for DTC. In the event DTC discontinues its service with respect to the Bonds and the Book Entry System is terminated, replacement Bonds shall be issued in authorized denominations.

(e) *Dates from Which Interest Payable.* The Bonds shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or, unless authenticated prior to the first Interest Payment Date,

in which case it shall bear interest from its date; provided, however, if at the time of authentication of any Bond, the Issuer is in default with respect to the payment of interest thereon, such Bond shall bear interest from the date to which interest shall have been paid. Interest payable on the Bonds shall be calculated on the basis of a 360 day year of twelve 30-day months.

(f) *Medium and Place of Payment.* Principal of and interest on the Bonds shall be payable in lawful money of the United States of America which, at the respective times of payment, is legal tender for the payment of public and private debts, but only from the Revenues and any other monies made available to the Issuer for such purpose. Principal of the Bonds shall be payable at Trust Office of the Trustee upon presentation and surrender of the Bonds as the same become due, and upon the request of any registered owner of Bonds on the applicable Record Date having an aggregate principal amount of \$1,000,000 or more, such principal shall be paid by wire transfer of immediately available funds from the Trustee to the bank and account number specified by such Owner in writing to the Trustee. Interest on the Bonds shall be payable to the registered Owners of the Bonds by check or draft mailed to such Owners at their addresses as they appear on registration books kept by the Trustee as Bond Registrar, or, upon the request of any registered Owner of Bonds having an aggregate principal amount of \$1,000,000 or more, by wire transfer of immediately available funds from the Trustee to the domestic bank and account number specified by such Owner in writing to the Trustee at least three (3) Business Days prior to the applicable payment date.

(g) *Form of Bonds.* The definitive Bonds, which may be printed, typewritten, photocopied, or otherwise reproduced, including the Trustee's Certificate of Authentication to be endorsed thereon, shall be substantially in the form as set forth in Exhibit A attached hereto with such appropriate variations, omissions and insertions as permitted or required by this Indenture.

(h) *Payments or Actions to be taken on Saturdays, Sundays and Holidays.* In any case where the date of any action required hereunder to be taken or the date of maturity of interest on or principal of the Bonds, shall not be a Business Day, then payment of interest or principal or the taking of such action need not be made or taken on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date such action was to be taken.

Section 2.02. Source of Payment of Bonds. The Issuer covenants that it will promptly pay the principal of and the interest on the Bonds only out of (a) the Revenues pledged for the payment thereof under this Indenture, (b) the amounts held in any fund or account created under this Indenture, other than amounts held in the Rebate Fund or the Expense Fund, and (c) from any other moneys held pursuant to the Trust Estate. Nothing in the Bonds or in this Indenture shall be construed as pledging any other funds or assets of the Issuer. All the Bonds to be issued hereunder shall be equally and ratably secured, to the extent provided herein, by this Indenture.

Section 2.03. Execution of Bonds. The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the Chairman or Vice Chairman of the Issuer, and the seal of the Issuer or a facsimile thereof shall be impressed or otherwise reproduced thereon and attested by the manual or facsimile signature of the Secretary or any Assistant Secretary of the Issuer. In case any authorized officer of the Issuer whose signature or a facsimile of whose signature shall appear on any of the Bonds shall cease to be an authorized officer of the Issuer before the delivery of such Bonds, such signature or such facsimile signature thereof shall nevertheless be valid and sufficient for all purposes, the same as if such authorized officer of the Issuer had remained in office until delivery. Any Bond may be signed on behalf of the Issuer by such authorized officers as are at the time of execution of such Bond proper officers of the Issuer, even though at the date of such Bond, such authorized officer was not such officer. Furthermore, it shall not be necessary that the same authorized officer of the Issuer sign all of the Bonds that may be issued hereunder at any one time or from time to time.

Section 2.04. Certificate of Authentication. Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form set forth in the form of the Bond herein provided and duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if manually signed by an authorized officer of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder. At the time of authentication of any Bond, the Trustee shall insert therein the date from which interest on such Bond shall be payable as provided in Section 2.01(e) hereof.

Section 2.05. Authentication and Delivery of Bonds. The Issuer shall execute and deliver to the Trustee, and the Trustee shall authenticate the Bonds and deliver them to the purchaser or purchasers as may be directed by the Issuer as provided in this Section. Prior to the authentication by the Trustee of the Bonds, there shall have been filed with the Trustee:

- (a) A copy, certified by an authorized officer of the Issuer, of the Resolutions adopted by the Issuer relating to the Bonds, authorizing the execution, delivery and performance of this Indenture and the Bond Loan Agreement;
- (b) A fully executed counterpart of this Indenture;
- (c) A fully executed counterpart of the Bond Loan Agreement, the Land Use Restriction Agreement, the Tax Certificates, the Continuing Disclosure Agreement, the Guarantor Documents and the original, fully executed Note;

(d) An opinion of Bond Counsel to the effect that the interest payable on the Bonds is excludable from the gross income of the holder thereof for federal income tax purposes;

(e) An opinion or opinions of counsel to the Issuer addressed to the Issuer and the Trustee to the effect that the Bonds and the Issuer Documents have been duly executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, subject to bankruptcy, insolvency or other laws affecting creditors' rights generally, and with respect to certain remedies which require, or may require, enforcement by a court of equity, such principles of equity as the court having jurisdiction may impose;

(f) A request and authorization signed by an authorized officer of the Issuer authorizing the Trustee to authenticate and to deliver the Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Issuer of the amount specified in such request and authorization plus accrued interest, if any, thereon to the date of delivery; and

(g) written evidence from the Rating Agency confirming that the Bonds have been assigned a rating of "AA+";

(h) [the Capitalized Interest Deposit, for deposit to the Capitalized Interest Account];

(i) the Costs of Issuance Deposit for deposit to the Cost of Issuance Fund; and

(j) copies of all initial financing statements to be filed by the Borrower upon issuance of the Bonds.

The proceeds from the sale of the Bonds shall be paid over directly to the Trustee and deposited to the credit of the Project Fund, as provided under Article VI hereof.

Section 2.06. Temporary Bonds. Until Bonds in definitive form are ready for delivery, the Issuer may execute, and upon its request in writing, the Trustee shall authenticate and deliver in lieu of any thereof, and subject to the same provisions, limitations and conditions, one or more printed, typewritten or photocopied Bonds in temporary form, substantially of the tenor of the Bonds herein described, and with appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form shall be delivered in denominations authorized by this Indenture, may be numbered using the prefix "T" before any number thereon as authorized by this Indenture, and may bear a legend thereon setting forth the terms for the exchange thereof for Bonds in definitive form. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit of this Indenture. The Issuer shall, without unreasonable delay (unless the Holders of the Bonds issued in temporary form agree otherwise), prepare, execute and deliver to the Trustee, and thereupon,

upon the presentation and surrender of the Bond or Bonds in temporary form, the Trustee shall authenticate and deliver, in exchange therefor, a Bond in a definitive authorized form in authorized denominations, of the same maturity or maturities, bearing the same interest rate or rates and for the same aggregate principal amount as the Bond in temporary form surrendered. Such exchange shall be made by the Issuer at the Borrower's expense and without making any charge to the Holders of the Bonds therefor.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate a new Bond of like date, maturity, interest rate and denomination as that of the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond there shall be first furnished to the Issuer and the Trustee evidence of such loss, theft or destruction satisfactory to the Issuer and the Trustee, together with indemnity satisfactory to them. The Trustee may, with the consent of the Holder, provide to the Holder a typewritten (or similarly reproduced) Bond certificate in lieu of a printed Bond certificate. In the event any such Bond shall have matured, instead of issuing a duplicate Bond the Trustee may pay the same without surrender thereof. The Issuer and the Trustee may charge the Holder of such Bond their expenses and reasonable fees, if any, in connection with the preparation, execution and authentication of a replacement Bond.

Section 2.08. Registration, Negotiability, Transfer and Exchange of Bonds. All of the Bonds issued under this Indenture shall be negotiable, subject to the provisions for registration and transfer contained in this Indenture and in the Bonds. So long as any of the Bonds shall remain outstanding, the Issuer shall maintain and keep at the Trust Office of the Trustee, books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose at such office, the Trustee shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as the Issuer or the Trustee may prescribe, any Bond entitled to registration or transfer.

Each Bond shall be transferable only upon the books of the Issuer maintained for such purpose by the Trustee, at the written request of the registered Owner thereof or his attorney duly authorized in writing, upon presentation and surrender thereof, together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Owner or his attorney duly authorized in writing. Upon the surrender for transfer of any Bond, the Issuer shall issue, and the Trustee shall authenticate, in the name of the transferee, in Authorized Denominations, a new Bond or Bonds without coupons of the same aggregate principal amount, series, maturity and interest rate as the surrendered Bond.

The Issuer and the Trustee shall deem and treat the person in whose name any Outstanding registered Bond shall be registered upon the books of the Issuer as the absolute Owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered Owner or upon his order shall

be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

For every exchange or transfer of Bonds, whether temporary or definitive, the Issuer or the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision of this Indenture to the contrary, any expenses of the Issuer or the Trustee incurred in connection therewith (except any applicable tax or other governmental charge) shall be paid by the Borrower as required by the Bond Loan Agreement. The Issuer shall not be obligated to make any such exchange or transfer of Bonds during the fifteen (15) days next preceding an Interest Payment Date.

Section 2.09. Limited Obligation. THE ISSUER HAS NO TAXING POWER. THE BONDS SHALL NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL OR SPECIAL, OF THE STATE OR ANY LOCAL GOVERNMENT THEREOF; AND NEITHER THE STATE NOR ANY LOCAL GOVERNMENT THEREOF SHALL BE LIABLE THEREON. NEITHER THE FAITH, REVENUES, CREDIT NOR TAXING POWER OF THE STATE OR ANY LOCAL GOVERNMENT THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY), OR INTEREST ON THE BONDS. THE BONDS ARE PAYABLE, AS TO PRINCIPAL, PREMIUM (IF ANY), AND INTEREST, SOLELY OUT OF THE TRUST ESTATE WHICH IS THE SOLE ASSET OF THE ISSUER PLEDGED THEREFOR.

Section 2.10. Cancellation and Destruction of Bonds. All Bonds which have been surrendered for payment, cancellation or for registration of transfer or exchange pursuant to Section 2.08 hereof shall be cancelled and destroyed by the Trustee and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee to the Issuer and, upon written request therefor, to the Borrower. Any Bonds so cancelled may be retained by the Trustee for such period of time as the Trustee may determine and shall be destroyed by the Trustee at the end of such period. Any Bond so cancelled shall thereafter no longer be considered Outstanding for any purpose of this Indenture or the Bond Loan Agreement.

Section 2.11. Book Entry System.

(1) Except as provided in subparagraph 3 of this Section 2.11, the registered owner of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of The Depository Trust Company ("DTC"). Payment of semi-annual interest for any Bonds shall be made by transfer of same day funds to the account of Cede on the Interest Payment Date at the address indicated for Cede in the registration books of the Issuer kept by the Trustee.

(2) The Bonds shall be initially issued in the form of a separate single fully registered bond in the amount of each separately stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the registry books of the Issuer kept by the Trustee in the name of Cede, as nominee of DTC. With respect to Bonds registered in the registry books kept by the Trustee in the name of Cede, as nominee of DTC, the Issuer and the Trustee shall have no responsibility or obligation to any participant of DTC (a "Participant") or to any person for whom a Participant acquires an interest in the Bonds (a "Beneficial Owner"). Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the Bonds, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds. The Issuer and the Trustee may treat as and deem DTC to be the absolute owner of each Bond for the purpose of payment of the principal of and interest on such Bond, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. Payments of principal may be made without requiring the surrender of the Bonds, and the Issuer and Trustee shall not be liable for the failure of DTC or any successor thereto to properly indicate on the Bonds the payment of such principal. No person other than DTC shall receive a Bond evidencing the obligation of the Issuer to make payments of principal of and interest on the Bonds pursuant to the Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in the Indenture shall refer to such new nominee of DTC.

(3)(a) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), Bond certificates will be delivered as described in the Indenture.

(b) The Issuer, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Issuer determines that: (i) DTC is unable to discharge its responsibilities with respect to the Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the Beneficial Owners of the Bonds. In the event

that no substitute securities depository is found by the Issuer, or restricted registration is no longer in effect, Bond certificates will be delivered as described in this Indenture.

(c) Upon the termination of the services of DTC with respect to the Bonds pursuant to subparagraph (3)(b)(ii) of this Section 2.11, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subparagraph (3)(a) or subparagraph (3)(b)(i) of this Section 2.11 after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Issuer, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

(4) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the applicable Representation Letter of the Issuer addressed to DTC, dated the date of delivery and issuance of the Bonds.

(5) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture by the Issuer or the Trustee with respect to any consent or other action to be taken by the Bondholders, the Issuer or the Trustee, as the case may be, shall establish a special record date for such consent or other action and give DTC notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

Section 2.12. Non-Presentation of Bonds. Subject to the provisions of Section 11.21 hereof, in the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, if funds sufficient to pay such Bonds shall have been made available to the Trustee for the benefit of the Holder or Holders thereof, all liability of the Issuer to the Holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on its part under the Indenture or on, or with respect to, such Bond. Any such Bonds shall cease to bear interest on the specified maturity and such Bonds or portions thereof shall no longer be protected by or subject to the benefit or security of this Indenture and shall not be deemed to be outstanding under the provisions of this Indenture.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Optional Redemption of Bonds. The Bonds are not subject to redemption prior to the Mandatory Tender Date.

On and after the Mandatory Tender Date, the Bonds may be redeemed, in whole but not in part, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, which date, if any, shall be a Business Day determined by the Borrower in consultation with the Remarketing Agent, in the event the Borrower exercises the option to prepay the Note and amounts are paid from the proceeds of refunding bonds or otherwise from Preference Proof Moneys upon the written direction of the Borrower delivered to the Issuer and the Trustee.

On each redemption date the Trustee shall transfer to the Bond Registrar, but only from and to the extent of funds held by the Trustee hereunder available for such purpose, an amount sufficient to pay the redemption price of all Bonds or portions thereof to be redeemed on such redemption date.

Section 3.02. Purchase in Lieu of Redemption.

(a) Any Bonds called for optional redemption under Section 3.01 of this Indenture may be purchased by the Borrower or by any other party designated in writing by the Borrower, on the date upon which such Bonds were to have been redeemed (the "Purchase in Lieu of Redemption Date"), at a purchase price equal to the redemption price thereof. The Borrower shall give 35 days advance written notice before the designated Purchase in Lieu of Redemption Date to the Trustee for which an election to purchase pursuant to this Section 3.02 is being made. Bonds to be purchased pursuant to this Section 3.02 which are not delivered to the Trustee on the Purchase in Lieu of Redemption Date shall be deemed to have been so purchased, and the purchaser of such Bonds shall be the Owner of such Bonds for all purposes under this Indenture, and interest accruing on such Bonds on and after the Purchase in Lieu of Redemption Date shall be payable solely to the purchaser of the Bonds or any assignee(s) of its interest in such Bonds.

(b) The purchase of Bonds in accordance with this Section 3.02 is not intended, and shall not be deemed to constitute, a redemption of such Bonds nor an extinguishment of the debt evidenced thereby.

(c) The notice provided for in Section 3.03 hereof shall be given by the Trustee regardless of whether the Borrower intends to purchase the Bonds in lieu of redemption; however, the notice may include a statement(s) that the Bonds may be purchased in lieu of redemption, and related information as may be required or necessary to comply with the requirements and policies of DTC.

Section 3.03. Notices of Redemption.

(a) The Bonds shall be called for optional redemption pursuant to Section 3.01 hereof by the Trustee as herein provided upon receipt by the Trustee and the Issuer, at least 25 days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee), of a certificate of the Borrower specifying the provision or provisions of this Indenture pursuant to which such Bonds are to be called for redemption. In the case of every redemption, the Trustee shall cause notice of such redemption to be given by mailing by first class mail postage prepaid a copy of the redemption notice to the Bondholders designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not more than 30 nor less than 20 days prior to the redemption date, provided, however, that failure to receive such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. So long as the Bonds are in book entry form, notice of redemption will be given by the Trustee only to DTC or its successor. Redemption is conditioned upon the Trustee having sufficient moneys on deposit in the Project Fund and the Collateral Fund, on or prior to the redemption date, to redeem all of the Bonds called for redemption, and if the Trustee does not have sufficient funds for this purpose, no Bonds shall be redeemed. The Trustee shall furnish the Borrower, the Investor Limited Partner, the Issuer, the Remarketing Agent and the Rating Agency with a copy of each notice of redemption given with respect to any optional redemption under Section 3.01 hereof, as soon as practicable after the delivery of notice to the Bondholders.

(b) Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. Each notice of redemption may also state that the redemption is conditioned on receipt of sufficient moneys for such redemption by the Trustee on or prior to the redemption date; if sufficient moneys are not so received, the redemption of the Bonds for which notice was given shall not be made.

Section 3.04. Mandatory Tender.

(a) The Bonds are subject to mandatory tender in whole and not in part on the Mandatory Tender Date and shall be purchased at a price equal to 100 percent of the principal amount of such Bonds, plus accrued interest, if any to the Mandatory Tender Date, and without premium. No later than 10:00 a.m., New York City time, on the Mandatory Tender Date, the Holders shall deliver the Bonds to the Trustee. The Trustee shall utilize the following sources of payments to pay the tender price of the Bonds not later than 1:30 p.m. New York City time on the Mandatory Tender Date, in the following priority; (i) amounts representing proceeds of remarketed Bonds received pursuant to Section 3.07(c) hereof, to pay the principal amount, plus accrued interest, of Bonds tendered for purchase, (ii) amounts on deposit in the Collateral Fund and the Project

Fund, to pay the principal amount of Bonds tendered for purchase, (iii) amounts on deposit in the Capitalized Interest Account of the Bond Fund to pay the accrued interest, if any, on Bonds tendered for purchase, and (iv) any other Preference Proof Moneys available or made available for such purpose at the direction of the Borrower.

(b) In the event that the conditions set forth in Section 3.06 hereof are not satisfied and/or the Trustee shall not have received remarketing proceeds on the Mandatory Tender Date equal to the principal amount of the Bonds Outstanding on such date, the Bonds shall be purchased in whole on the Mandatory Tender Date using amounts on deposit in the Collateral Fund, the Project Fund and the Bond Fund, and, immediately following such purchase, the Bonds shall be deemed redeemed on the Mandatory Tender Date and cancelled by the Trustee.

(c) Not less than 30 days before the Mandatory Tender Date, the Trustee shall give written notice of mandatory tender and remarketing to the Holders by first class mail, postage prepaid, at their respective addresses as they appear on registration books kept by the Trustee as Bond Registrar. The notice shall state the Mandatory Tender Date and that:

(1) all Outstanding Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date and must be tendered for purchase on the Mandatory Tender Date;

(2) all Outstanding Bonds will be purchased on the Mandatory Tender Date at a price equal to the principal amount of the Outstanding Bonds plus interest accrued to the Mandatory Tender Date;

(3) Holders will not have the right to elect to retain their Bonds and any Bonds not tendered will nevertheless be deemed to have been tendered and will cease to bear interest from and after the Mandatory Tender Date; and

(4) the address of the office of the Trustee at which Holders should deliver their Bonds for purchase on the Mandatory Tender Date.

If notice is given as stated in this section, failure of any Holder to receive such notice, or any defect in the notice, shall not affect the remarketing or the validity of the proceedings for the remarketing of the Bonds.

Section 3.05. Duties of Remarketing Agent. The Remarketing Agent shall do the following in connection with the remarketing of the Bonds:

(a) Unless otherwise directed in writing by the Issuer, not less than ten (10) days before the Mandatory Tender Date, the Remarketing Agent shall offer for sale and use its best efforts to sell Bonds on the Mandatory Tender Date at a price equal to 100 percent of the principal amount of such Bonds plus accrued interest, if any.

(b) Establishment of Interest Rate In Connection With Remarketing of Bonds.

(1) *Establishment of Interest Rate.* From and after the Mandatory Tender Date, the Bonds shall bear interest at the Remarketing Rate determined pursuant to this subsection. Any Remarketing Rate determined by the Remarketing Agent and taking effect pursuant to this Indenture for a remarketing period shall be conclusive and binding for the purposes of this Indenture upon the Trustee, the Issuer, the Borrower, and the Holders.

(2) *Determination of Remarketing Rate.* The Remarketing Agent shall determine the Remarketing Rate no later than five (5) Business Days prior to the Mandatory Tender Date. The Remarketing Rate shall be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds on the Mandatory Tender Date at par for the period which shall begin on the Mandatory Tender Date and end on the Maturity Date.

(3) *Notice.* Immediately upon determining the Remarketing Rate, the Remarketing Agent shall give notice to the other Remarketing Notice Parties. In no event shall the Remarketing Agent give its notice later than the Business Day following the day on which the Remarketing Agent makes its determination of the Remarketing Rate.

Section 3.06. Conditions Precedent to Remarketing of Bonds and Notice.

(a) Conditions Precedent to Remarketing of Bonds. The remarketing of the Bonds on the Mandatory Tender Date is subject to the satisfaction of each of the following conditions precedent not less than five (5) Business Days before the Mandatory Tender Date:

(1) The Trustee has received notice from the Remarketing Agent that all of the Bonds have been remarketed and that the proceeds from the remarketing are expected to be available to the Trustee on the Mandatory Tender Date and deposited into the Bond Fund in an amount equal to the principal amount of the Bonds.

(2) The Trustee has received written notice from the Issuer that the Issuer has approved as to form and substance any disclosure document or offering materials which, in the opinion of counsel to the Issuer and the Remarketing Agent, are necessary to be used in connection with the remarketing of the Bonds.

(3) The Trustee has received written notice from the Remarketing Agent that the Remarketing Agent has received written confirmation from the

Rating Agency that the then current rating assigned to the Bonds will continue to be effective on the Mandatory Tender Date.

(4) The Trustee has received an opinion of Bond Counsel to the effect that the remarketing of the Bonds will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

(5) The Trustee has received Preference Proof Moneys in an amount necessary to pay capitalized interest, if any, in connection with remarketed Bonds as determined by the Remarketing Agent, to the Maturity Date or some other date as set by the Remarketing Agent.

(b) Notice of Satisfaction of Conditions Precedent. If the conditions set out in subsection (a) are satisfied, the Trustee shall immediately give notice to the other Remarketing Notice Parties stating that (i) all conditions precedent to the remarketing of the Bonds have been satisfied and (ii) the remarketing and settlement of the Bonds is expected to occur on the Mandatory Tender Date.

Section 3.07. Remarketing of Bonds.

(a) Delivery of Bonds by Holder for Purchase. Each Holder must deliver its Bonds to the Trustee for purchase not later than 10:00 a.m., New York City time, on the Mandatory Tender Date. Bonds received by the Trustee shall be held by the Trustee in trust for the tendering Holders pending receipt of funds for the payment of such Bonds.

(b) Untendered Bond. Any Bond which is not tendered on the Mandatory Tender Date (an "Untendered Bond") will be deemed to have been tendered to the Trustee as of such Mandatory Tender Date, and, from and after such Mandatory Tender Date shall cease to bear interest and no longer will be considered to be outstanding. In the event of a failure by owners to deliver Bonds on the Mandatory Tender Date, such Holders will not be entitled to any payment (including any interest to accrue from and after the Mandatory Tender Date) other than the purchase price for such Untendered Bond, and any Untendered Bond will no longer be entitled to the benefits of this Indenture, except for the purpose of payment of the purchase price for such Untendered Bond.

(c) Delivery of Purchase Price of Remarketed Bonds. The Remarketing Agent shall give notice to the Remarketing Notice Parties no fewer than five (5) Business Days prior to the Mandatory Tender Date specifying the names, addresses and taxpayer identification numbers of the purchasers of, and the principal amount and denominations of, such Bonds, if any, for which it has found purchasers. The Remarketing Agent shall deliver to the Trustee, no later than 10:00 a.m., New York City time, on the Mandatory Tender Date, in immediately available funds, remarketing proceeds to the extent the Bonds have been successfully remarketed. Upon receipt by the Trustee of such amount from such purchasers, the Trustee shall transfer the

registered ownership of the Bonds to the respective new purchasers and deliver such Bonds to such purchasers. Moneys deposited with the Trustee for the purchase of Bonds shall be held in trust in the Bond Fund and shall be paid to the tendering Holder upon presentation of its Bonds at the designated office of the Trustee.

(d) Notice of Remarketing to Holders of Untendered Bonds. The Trustee shall promptly give notice by registered or “certified first class” mail, postage prepaid, to each Holder of Bonds whose Bonds are deemed to have been purchased stating that interest on such Bonds ceased to accrue on the date of purchase and that moneys representing the purchase price of such Bonds are available against delivery of such Bonds at the designated office of the Trustee.

Section 3.08. Concerning the Remarketing Agent. The Remarketing Agent identified in Section 1.01 hereof shall serve as the Remarketing Agent for the Bonds. The Remarketing Agent shall provide to the Trustee its designated office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Borrower and the Trustee. In addition, the Remarketing Agent will agree particularly to:

(a) keep such records relating to its computations of interest rates for the Bonds as shall be consistent with prudent industry practice and to make such records available for inspection by the Issuer, the Trustee, the Borrower and the Investor Limited Partner at all reasonable times; and

(b) perform all of its functions and duties under this Indenture.

The Remarketing Agent shall be entitled to advice of legal counsel on any matter relating to the Remarketing Agent’s obligations hereunder and shall be entitled to act upon the opinion of such counsel in the exercise of reasonable care in fulfilling such obligations.

The Remarketing Agent shall be entitled to appoint additional co-Remarketing Agents to assist in the performance of the Remarketing Agent’s obligations under this Indenture, and any such appointment shall be effective without any action by the Issuer or the Borrower being necessary; provided that any such co-Remarketing Agent, shall have a capitalization of at least \$5,000,000, or shall have a line of credit with a commercial bank in the amount of at least \$5,000,000, shall be in conformity with all standards and requirements of the Municipal Securities Rulemaking Board and the Securities and Exchange Commission, and shall be authorized by law to perform all the duties imposed upon it by this Indenture. The Remarketing Agent shall take responsibility for any co- Remarketing Agent it appoints.

Section 3.09. Qualification of Remarketing Agent. The Remarketing Agent shall be a member in good standing of the Financial Industry Regulatory Authority having a capitalization of at least \$5,000,000, or shall have a line of credit with a commercial bank in the amount of at least \$5,000,000, and shall be authorized by law to perform all the duties imposed upon it by this Indenture. Subject to the terms of the Remarketing Agreement, the Remarketing

Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 30 days' notice of such resignation to the Issuer, the Borrower, the Investor Limited Partner and the Trustee. The Remarketing Agent may be removed, with prior notice to the Issuer, at any time by the Borrower, with at least 30 days' notice of such removal to the Remarketing Agent.

Upon any resignation or removal of the Remarketing Agent, the departing Remarketing Agent shall pay over, assign and deliver any money and Bonds held by it in such capacity to its successor. Upon the resignation or removal of the Remarketing Agent, the Issuer shall promptly appoint a successor Remarketing Agent, and shall provide notice to the Trustee and Borrower of such appointment.

The Trustee, within 30 days of the resignation or removal of the Remarketing Agent or the appointment of a successor Remarketing Agent, shall give notice thereof by registered or certified mail to the Rating Agency (if the Bonds are then rated) and to the Holders of the Bonds.

If a successor Remarketing Agent is not appointed by the Issuer and acting as Remarketing Agent at least ten (10) Business Days before the Mandatory Tender Date, the Bonds will not be remarketed and will be paid on the Mandatory Tender Date.

ARTICLE IV

REVENUES AND FUNDS

Section 4.01. Creation of Funds. The following trust funds are hereby created by the Issuer and ordered established and held separately with the Trustee to be used for the purposes as hereinafter provided in this Indenture:

(a) *Bond Fund.* "Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 - Bond Fund" (herein referred to as the "Bond Fund"), and within the Bond Fund, a "Capitalized Interest Account," which Fund shall be administered as provided in Sections 4.02 and 4.05 hereof.

(b) *Project Fund.* "Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 - Project Fund" (herein referred to as the "Project Fund"), and within the Project Fund, a "Proceeds Account", and an "Equity Account", which Fund and the accounts therein shall be administered in accordance with the provisions of Sections 6.01 and 6.02 of this Indenture.

(c) *Rebate Fund.* "Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 - Rebate Fund" (herein referred to as the "Rebate Fund"), which Fund shall be administered in

accordance with the provisions of Section 5.01 of this Indenture. Moneys held in the Rebate Fund are not held for the benefit of the Owners and are not part of the Trust Estate.

(d) *Expense Fund.* “Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 - Expense Fund” (herein referred to as the “Expense Fund”), which Fund shall be administered in accordance with the provisions of Section 4.07 of this Indenture. Moneys held in the Expense Fund are not held for the benefit of the Owners and are not part of the Trust Estate.

(e) *Collateral Fund.* “Florida Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 - Collateral Fund” (herein referred to as the “Collateral Fund”), which Fund shall be administered in accordance with the provisions of Section 4.03 of this Indenture.

(f) *Cost of Issuance Fund.* “Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 - Cost of Issuance Fund” (herein referred to as the “Cost of Issuance Fund”), and within the Cost of Issuance Fund, a “Issuer Costs of Issuance Account” and a “Borrower Costs of Issuance Account,” which Fund shall be administered in accordance with the provisions of Section 4.04 of this Indenture. Moneys held in the Cost of Issuance Fund (other than amounts derived from the proceeds of the Bonds) are not held for the benefit of the Owners and are not part of the Trust Estate.

Section 4.02. Deposits into the Bond Fund. On or before the Closing Date, upon receipt of the Capitalized Interest Deposit in accordance with Section 4.02 of the Bond Loan Agreement, the Trustee shall deposit the Capitalized Interest Deposit to the Capitalized Interest Account. All Revenues received by the Trustee, except for funds deposited in the Bond Fund (including the Capitalized Interest Account therein) or the Collateral Fund on the Closing Date and any investment earnings thereon, shall be deposited, first, to the credit of the Expense Fund to the extent of any fees, costs or expenses described in Section 4.07 hereof which are due and payable, and then to the Bond Fund. In accordance with the last sentence of Section 11.04, for so long as the Bonds are outstanding hereunder, funds on deposit in the Proceeds Account of the Project Fund, the Collateral Fund or the Bond Fund (including the Capitalized Interest Account therein) shall not be deposited in the Expense Fund or otherwise used to pay fees, costs or expenses described in Section 4.07 hereof.

In connection with the issuance of the Bonds, certain moneys may be deposited with the Trustee before the closing date pursuant to one or more letters of instruction from the provider or providers of such moneys. Such moneys will be held by the Trustee subject to the terms and conditions of the Indenture in addition to terms provided in such letter(s) of instruction. For such purpose the standards of care, provisions regarding responsibilities and indemnification and other sections relating to the Trustee contained in this Indenture and the Bond Loan

Agreement (the "Effective Provisions") shall be effective as of the first date of receipt by the Trustee of such moneys. The Effective Provisions shall be deemed incorporated into such letter(s) of instructions.

Section 4.03. Use of Moneys in Collateral Fund. Upon receipt from the Lender of the proceeds of (a) a draw on Lenders' warehouse line of credit, or (b) from funds otherwise provided by Lender (the "Lender Collateral Deposit"), the Trustee shall deposit such amounts to the Collateral Fund. Together with amounts on deposit in the Proceeds Account of the Project Fund and the Bond Fund (including the Capitalized Interest Account therein), amounts on deposit in the Collateral Fund, including any investment earnings thereon, shall be sufficient at all times to pay the principal of and interest on the Bonds to the Mandatory Tender Date or the Maturity Date, as applicable. On each date on which principal of or interest on the Bonds is due, the Trustee shall transfer a sufficient amount of funds from the Collateral Fund for deposit to the Bond Fund to enable the Trustee to make such payments as and when due.

Section 4.04. Use of Moneys in the Cost of Issuance Fund.

(a) *Deposits into the Cost of Issuance Fund.* On or before the Closing Date the Borrower shall deliver the Cost of Issuance Deposit to the Trustee. On the Closing Date, the Trustee shall deposit or transfer, as applicable, the Cost of Issuance Deposit into either the Issuer Cost of Issuance Account or the Borrower Cost of Issuance Account of the Cost of Issuance Fund as designated in the closing memorandum prepared by the Underwriter and executed by the Borrower and the Issuer in connection with the issuance of the Bonds.

(b) *Disbursements from the Cost of Issuance Fund.* Except as otherwise provided in this Section 4.04, the amounts deposited in the Cost of Issuance Fund shall be expended for Costs of Issuance and for no other purpose. The Issuer shall deliver to the Trustee a Requisition in the form attached hereto as Exhibit C-1, executed by the Issuer, specifying in detail the amount which constitutes the Issuer Costs of Issuance to be paid or reserved to be paid under this Section, and the respective firms or persons to whom such payments are to be made. The Borrower shall deliver to a Trustee the Requisition in the form attached hereto as Exhibit C-2, executed by the Borrower (and approved by the Issuer Servicer and the Lender), specifying in detail the amount which constitutes Borrower Costs of Issuance to be paid or reserved to be paid under this Section, and the respective firms or persons to whom such payments are to be made. The Trustee shall make the payments specified therein concurrently with or as soon as may be practicable after the delivery of the Bonds.

(c) *Disposition of Remaining Amounts.* Any moneys remaining in the Cost of Issuance Fund twelve (12) months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower upon the written instruction to the Trustee from the Borrower, in accordance with Section 4.06. Upon final disbursement, the Trustee shall close the Cost of Issuance Fund.

Section 4.05. Use of Moneys on Deposit in the Bond Fund; Application of Loan Payments. The funds on deposit in the Bond Fund shall be used by the Trustee to pay principal of and interest on the Bonds on each date a payment of principal or interest is due to be made, whether by maturity, scheduled Interest Payment Date or as a result of an early redemption of the Bonds.

In the event that amounts on deposit in the Bond Fund on any Interest Payment Date, the Mandatory Tender Date, the Maturity Date or such other Bond payment date are insufficient to make the payment of principal of or interest on the Bonds when due, the Trustee shall transfer funds in the following order to the Bond Fund and use such funds, together with amounts then on deposit in the Bond Fund, to make such payments when due:

- (a) first, from amounts on deposit in the Capitalized Interest Account;
- (b) second, from amounts on deposit in the Collateral Fund; and
- (c) third, from amounts on deposit in the Project Fund.

So long as there are any Outstanding Bonds, payments due under the Note and the Bond Loan Agreement shall be deemed made by the Trustee's transfer of funds on each Interest Payment Date from the Capitalized Interest Account or from the Collateral Fund to the Bond Fund, in an amount necessary to pay the interest on and principal (if any) of the Bonds.

Section 4.06. Payment to Borrower of Excess Moneys. Any amounts remaining in the Cost of Issuance Fund after the payment in full of all Costs of Issuance shall be paid to the Borrower in accordance with Section 4.04 hereof, and any amounts remaining in the Collateral Fund or the Bond Fund (except for amounts then held by the Trustee in the Bond Fund for payment of principal of, or interest on, any of the Bonds) after payment in full of the principal of and interest on, the Bonds, payment of any and all fees and expenses due in accordance with this Indenture and the Bond Loan Agreement, and payment of all other costs associated with the discharge of the Bonds (or provision for payment thereof having been made as provided in Section 9.01 hereof) shall, upon written instruction to the Trustee from the Borrower (with a copy to the Issuer), be paid to the Borrower upon the expiration or sooner termination of the term of the Bond Loan Agreement notwithstanding the survival of certain provisions thereof.

Section 4.07. Expense Fund. The Trustee shall deposit amounts received from the Borrower for the purpose of paying Trustee's Fees, the Issuer Fee, the Issuer Servicer Fee and any other fees, costs or expenses required under the Bond Loan Agreement into the Expense Fund. The Trustee shall pay such amounts to the proper persons on the dates and in the amounts due. Amounts on deposit in the Expense Fund shall be withdrawn or maintained, as appropriate by the Trustee to pay (i) to or at the direction of, the Issuer, the Issuer Fee and the Issuer Servicer Fee, (ii) to the Trustee, the Trustee's Fee, (iii) upon receipt, to the Trustee, any amounts due to the Trustee which have not been paid, other than amounts paid in accordance with clause (ii) hereof, and (iv) upon receipt, to, or at the direction of, the Issuer, the Issuer Fee

or the Issuer Servicer Fee due and unpaid, other than amounts paid in accordance with clause (i) above.

Section 4.08. Allocation and Reallocation of Government Obligations Deposited to the Collateral Fund and the Project Fund. On the Closing Date, the Trustee shall allocate ownership of the Government Obligations acquired pursuant to Article VII hereof and deposited for the benefit of the Project Fund and the Collateral Fund as follows: The Trustee shall allocate to the Collateral Fund a percentage of such Government Obligations equal to the amount of the Lender Collateral Deposit by the Lender to the Trustee for deposit to the Collateral Fund on the Closing Date divided by the aggregate Outstanding principal amount of the Bonds and multiplied by 100 (the “Initial Collateral Fund Percentage”) and the remainder (i.e., 100% minus the Initial Collateral Fund Percentage, referred to as the “Initial Project Fund Percentage”) shall be allocated to the Proceeds Account of the Project Fund. On each subsequent month when an additional Lender Collateral Deposit is presented by the Lender for deposit to the Collateral Fund (the “Subsequent Allocation Date”), the dollar amount of such Lender Collateral Deposit shall be added to all prior Lender Collateral Deposits, and the percentage of such Government Obligations allocated to the Collateral Fund shall be adjusted to that percentage equal to the aggregate Lender Collateral Deposits through such date divided by the aggregate Outstanding principal amount of the Bonds and multiplied by 100 (the “Collateral Fund Percentage”) and the remainder (i.e., 100% minus the Collateral Fund Percentage, referred to as the “Project Fund Percentage”) shall be allocated to the Proceeds Account of the Project Fund. On each Subsequent Allocation Date, the Trustee shall be deemed to have liquidated that portion of the Government Obligations allocated to the Proceeds Account of the Project Fund and purchased equivalent Government Obligations to be allocated to the Collateral Fund.

ARTICLE V

REBATE

Section 5.01. Rebate Fund; Rebate Requirement. The Trustee shall deposit into the Rebate Fund amounts paid by the Borrower pursuant to the Tax Certificates.

(a) The determination of the Rebate Requirement shall be made in accordance with the Arbitrage Rebate Agreement and the Rebate Requirement shall be paid at such times and in such installments as provided therein. The Issuer shall designate the Rebate Analyst. As further provided in the Arbitrage Rebate Agreement, the Borrower shall be responsible for causing the rebate calculations to be calculated by the Rebate Analyst and paying the Rebate Requirement.

(b) Neither the Issuer nor the Trustee shall be obligated to pay any portion of the Rebate Requirement (except from funds on deposit in the Rebate Fund). In addition, neither the Issuer nor the Trustee shall have any responsibility with respect to the calculation of the Rebate Requirement.

(c) Any moneys held as part of the Rebate Fund and not immediately required to be paid to the United States pursuant to the Arbitrage Rebate Agreement shall be invested or reinvested by the Trustee, at the written direction of the Borrower Representative, in Government Obligations or in any money market or short term investment fund investing in or consisting solely of and secured by Government Obligations, including any such fund maintained by the Trustee or an affiliate thereof, having maturities consonant with the need for moneys as estimated by the Borrower. In connection with the investment of moneys held as part of the Rebate Fund, the provisions of Section 7.03 hereof control regarding the crediting to the Rebate Fund of interest and other income received on the investment of moneys held as part of the Rebate Fund.

(d) As provided in the Arbitrage Rebate Agreement, the Borrower is required to (i) obtain a rebate calculation with respect to the Rebate Requirement with respect to the Maturity Date or the earlier date upon which all of the Bonds have been redeemed or defeased in a timely manner and either (ii)(A) pay to the Trustee for deposit into the Rebate Fund an amount of money as determined by such calculation within 30 days of such calculation or (B) provide the Trustee and the Issuer with written notice (signed by the Borrower Representative and the Rebate Analyst) that (1) no deposit is required or (2) the amount in the Rebate Fund is in excess of the amount required to be on deposit as determined by the most recent rebate calculation, in which case the Trustee shall, with the prior written consent of the Issuer, pay such excess over to the Borrower. If the Trustee does not receive either of the items required in (ii)(A) or (ii)(B) above within 30 days after the Mandatory Tender Date or Maturity Date, the Trustee shall notify the Issuer; provided, however, that the Trustee shall not incur any liability if it should fail to provide such notice. The Borrower shall provide copies of all rebate calculations to the Issuer upon submission by the Rebate Analyst.

ARTICLE VI

CUSTODY AND APPLICATION OF BOND PROCEEDS

Section 6.01. Custody and Application of Project Fund. The proceeds received upon the issuance and sale of the Bonds shall be deposited in the Proceeds Account of the Project Fund.

Section 6.02. Procedure for Making Disbursements from Project Fund. Disbursements from the Project Fund shall be made upon the receipt by the Trustee of the following and shall be used solely to pay Costs of the Development incurred in connection with the acquisition of the Development: (1) a request or requests therefor executed by the Borrower, the Lender and the Issuer Servicer, upon a Requisition in substantially the form attached as Exhibit B hereto, (2) in the case of amounts requisitioned from the Proceeds Account, certification by a Borrower Representative that such Costs of the Development are Qualified Project Costs, and (3) in the case of requisitions from the Proceeds Account, confirmation by the

Trustee that, immediately after such requested disbursement from the Proceeds Account, the sum of the moneys on deposit in the Proceeds Account of the Project Fund, the Bond Fund and the Collateral Fund, including projected earnings on Permitted Investments therein, will be equal to the aggregate principal amount of the Bonds Outstanding. Together with amounts on deposit in the Proceeds Account of the Project Fund and the proceeds of the Lender Loan, if any, on deposit in the Capitalized Interest Account, amounts on deposit in the Bond Fund and the Collateral Fund, including any investment earnings thereon, shall be sufficient at all times to pay the principal of and interest on the Bonds as and when they become due to the Mandatory Tender Date. On each date on which principal of or interest on the Bonds is due, the Trustee shall transfer a sufficient amount of funds from the Collateral Fund for deposit to the Bond Fund to enable the Trustee to make such payments as and when due.

Each Requisition shall be made in accordance with the Lender Loan Documents together with a written request signed by the Borrower substantially in the form attached to this Indenture as Exhibit B. Upon approval of a Requisition by the Lender (each an "Approved Advance"), the Lender and the Issuer Servicer (each an "Approved Advance"), the Lender shall deliver to the Trustee a Lender Collateral Deposit equal to the Approved Advance for deposit to the Collateral Fund, together with the Requisition signed by the Borrower, the Lender and the Issuer Servicer requesting a disbursement from specified amounts in the Project Fund in an aggregate amount equal to the Approved Advance. In the event that for any reason the Trustee is not prepared to promptly disburse the requested funds from the Project Fund, the Trustee (i) shall not deposit the Lender Collateral Deposit in the Collateral Fund, (ii) shall so inform the Lender and the Borrower and (iii) shall return such deposit to the Lender in accordance with the written instructions of the Lender.

Notwithstanding any provision of the Agreement or any other provision of this Indenture to the contrary, the Trustee shall not disburse moneys from the Proceeds Account of the Project Fund, other than to pay principal and/or interest payments on the Bonds in accordance with Section 4.05 hereof, unless and until the Trustee receives satisfactory evidence that a Lender Collateral Deposits have been deposited in the Collateral Fund in an aggregate amount equal to or greater than the amount necessary to cause the sum of the amount on deposit in the Proceeds Account of the Project Fund immediately following such requested disbursement plus the amounts on deposit in the Bond Fund and the Collateral Fund, including projected earnings on Permitted Investments therein, to equal the aggregate principal amount of the Bonds Outstanding. Prior to making any disbursement, the Trustee shall verify that upon making the disbursement, the aggregate amount to be held in (i) the Collateral Fund, (ii) the Project Fund and (iii) the Bond Fund (including, without limitation, the Capitalized Interest Account therein), will be sufficient to pay principal of and interest on the Bonds as and when they become due to the Mandatory Tender Date or the Maturity Date, as applicable. Upon satisfaction of the conditions precedent set forth in this Section 6.02, and notwithstanding anything in the Bond Documents to the contrary, once the Trustee deposits the Lender Collateral Deposit the Trustee is irrevocably and unconditionally obligated to disburse an equal amount of moneys from the Project Fund in accordance with approved Requisitions.

All disbursements from the Project Fund will be made by the Trustee directly to the Borrower or other party as directed by the Borrower pursuant to the Requisition, or shall be transferred to the Bond Fund.

The Trustee and the Issuer shall not in any event be responsible or liable to any person (other than the Borrower, but only in the case of the Trustee and only in the event of a failure by the Trustee to make disbursements following request for disbursements in accordance with the this Indenture, when such failure is within the Trustee's control, and after notice of such failure and a 3-day opportunity to cure such failure) for the disbursement of, or failure to disburse, moneys from the Project Fund, or any part thereof, and no contractor, subcontractor or material or equipment supplier shall have any right or claim against the Trustee or the Issuer under this Indenture.

The Borrower covenants in the Bond Loan Agreement that the proceeds of the Bonds, paid directly from the Project Fund shall be used or deemed used exclusively to pay Costs of the Development that (i) are (A) capital expenditures (as defined in Section 1.150-1(a) of the Code's regulations) and (B) not made for the acquisition of existing property, to the extent prohibited in Section 147(d) of the Code, and (ii) are made exclusively with respect to a "qualified residential rental project" within the meaning of Section 142(d) of the Code and that for the greatest number of buildings the proceeds of the Bonds shall be deemed allocated on a pro rata basis to each building in the Development and the land on which it is located so that each building and the land on which it is located will have been financed fifty percent (50%) or more by the proceeds of the Bonds for the purpose of complying with Section 42(h)(4)(B) of the Code; provided, however, neither the Trustee nor the Issuer shall have any obligation to enforce this covenant nor shall they incur any liability to any Person, including without limitation, the Borrower, the General Partner, any other affiliate of the Borrower or the Holders of the Bonds for any failure to meet the intent expressed in the foregoing representation, covenant and warranty.

Section 6.03. Trustee May Rely on Requisitions and Certifications. In making any such disbursement from the Project Fund, the Trustee may rely on any Requisition delivered to it pursuant to Section 6.02 hereof, and the Trustee shall be relieved of all liability with respect to making such payments in accordance with any such Requisition.

Section 6.04. Completion of Project. The completion of the Development and the payment of all costs and expenses incident thereto shall be evidenced for the Development by the filing with the Trustee of (a) the Completion Certificate and (b) a certificate signed by the Borrower Representative stating that all obligations and Costs of the Development, have been paid and discharged except for Costs of the Development not then due and payable or then in dispute as provided in the Bond Loan Agreement. Additionally, the Borrower has agreed pursuant to Section 3.06 of the Bond Loan Agreement that in the event that there are insufficient moneys available in the Project Fund to pay the Costs of the Development, the Borrower will complete the Development and pay the portion of the Costs of the Development in excess of the moneys available therefor in the Project Fund.

ARTICLE VII

INVESTMENT OF FUNDS AND ACCOUNTS

Section 7.01. Investment. On the Closing Date, moneys on deposit in the Project Fund will be held by the Trustee uninvested until disbursed to the Borrower on the Closing Date in accordance with an approved Requisition.

Subject to the provisions of Section 4.08, hereof, amounts on deposit in the Collateral Fund and the Bond Fund shall be invested at all times in Permitted Investments.

The Trustee is hereby directed to purchase Government Obligations maturing on or before the Mandatory Tender Date, with respect to the investment of certain amounts on deposit in the Collateral Fund and the Bond Fund (including the Capitalized Interest Account therein), the principal and interest of which, along with amounts on deposit in the Capitalized Interest Account, if any, will be sufficient to pay principal and interest on the Bonds when due. Such instructions shall be detailed in the closing memorandum prepared by the Underwriter. All interest earned from the foregoing investments shall be deposited in the Bond Fund. Such funds shall remain on deposit until the Mandatory Tender Date, on which date they will be withdrawn to make payment on the Bonds. In the event that any investments in the Project Fund, the Bond Fund, or the Collateral Fund must be liquidated prior to the Mandatory Tender Date, such investments shall be liquidated under the Indenture.

Any investment hereunder shall not bear a yield which is in excess of the yield on the Bonds. The Trustee may not sell any investment at a loss, unless being sold pursuant to Section 7.03 or in connection with an acceleration as set forth in Section 10.01 hereof.

The investments described in each of the above paragraphs shall be made by the Trustee pursuant to the direction provided hereby and in accordance with the written direction of the Borrower to be provided on the Closing Date, which shall remain in effect until further written direction is provided by the Borrower. In the absence of investment instructions from the Borrower, the Trustee shall invest the moneys held in the Bond Fund or Collateral Fund in money market funds described in parts (ii) and (iii) of the definition of Permitted Investments.

Amounts, if any, on deposit in the Cost of Issuance Fund, until disbursed or returned to the Borrower pursuant to Section 4.04(c) hereof, shall be invested in Permitted Investments, with respect to amounts on deposit in the Issuer Costs of Issuance Account, at the direction of the Issuer, and with respect to amounts on deposit in the Borrower Costs of Issuance Account, at the direction of the Borrower. The Expense Fund shall be invested in Permitted Investments at the direction of the Issuer. In the absence of investment instructions from the Borrower or the Issuer, as applicable, the Trustee shall not be responsible or liable for keeping the moneys held in the Cost of Issuance Fund or the Expense Fund hereunder fully invested in Permitted Investments.

Section 7.02. Investment of Rebate Fund. Any moneys held as part of the Rebate Fund, and not immediately required for the purposes of the Rebate Fund, shall be invested or reinvested by the Trustee, at the written direction of the Borrower Representative, in Government Obligations or in any money market or short term investment fund investing in or consisting solely of and secured by Government Obligations, including any such fund maintained by the Trustee or an affiliate thereof having maturities consistent with the need for funds as estimated by the Borrower. In the absence of investment instructions from the Borrower Representative, the Trustee shall not be responsible or liable for keeping the moneys held as part of the Rebate Fund fully invested in Government Obligations or in any money market or short term investment fund investing in or consisting solely of and secured by Government Obligations.

Section 7.03. Accounting for Termination of Investments; No Arbitrage. Subject to Section 7.01 herein, in the event the moneys in the Collateral Fund have been invested in Permitted Investments and the Permitted Investment at any time and for any reason fails to satisfy the requirements of Section 7.01 hereof, the Trustee shall, at the written direction of the Borrower and with the written approval of the Rating Agency, terminate any such investment, and the proceeds of such termination, shall be credited to the Collateral Fund.

All investment earnings on moneys or any investment held in any fund or account created hereunder (other than the Rebate Fund, which shall be credited to the Rebate Fund) shall be credited to the fund or account in which such invested funds are deposited.

If the Issuer is of the opinion, upon receipt of advice of Bond Counsel, that it is necessary to restrict or limit the yield on the investment of any moneys, securities or other obligations paid to or held by the Trustee hereunder in order to comply with the provisions of the Documents intended to prevent any Bonds from being considered “arbitrage bonds” within the meaning of Section 148 of the Code, an authorized officer of the Issuer may give written notice to the Trustee and the Borrower to such effect (together with appropriate written instructions), in which event the Trustee will take such action as is set forth in such written instructions to restrict or limit the yield on such investment so as to comply with Section 148 of the Code.

Section 7.04. Trustee’s Own Bond or Investment Department. The Trustee may make any and all investments permitted under Section 7.01 hereof through its own bond or investment department or that of any affiliate and may charge its ordinary and customary fees for such trades, including cash sweep account fees. Although the Issuer and the Borrower each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Issuer and the Borrower hereby agree that confirmations of Permitted Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account hereunder if no activity occurred in such fund or account during such month.

Section 7.05. Moneys to be Held in Trust. Subject to Section 4.07 hereof, all moneys required to be deposited with or paid to the Trustee for account of the Collateral Fund, the Bond

Fund or the Project Fund under any provision of this Indenture shall be held by the Trustee in trust, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien and claim created by this Indenture. The Trustee, acting in its capacity as Trustee and not as sponsor, advisor or manager in connection with any investments hereunder, shall not be liable for any loss arising from investments made in accordance with this Section, or for any loss resulting from the redemption or sale of any such investments as authorized by this Section.

ARTICLE VIII

GENERAL COVENANTS

Section 8.01. Payment of Bonds. Each and every covenant made in this Indenture, including all covenants made in the several sections of this Article, is predicated upon the condition that any obligation for the payment of money incurred by the Issuer shall be payable solely (a) from Revenues, which are specifically assigned to secure the payment of the Bonds in the manner and to the extent specified in this Indenture, (b) from the moneys held in the funds and accounts created under this Indenture, except for amounts held in the Rebate Fund, the Cost of Issuance Fund (other than amounts on deposit in the Costs of Issuance Fund derived from proceeds of the Bonds) and the Expense Fund, and (c) from any other moneys held pursuant to the Trust Estate. Nothing in the Bonds or in this Indenture shall be construed as pledging any other funds or assets of the Issuer.

The Issuer covenants that it will cause to be paid, as provided herein, the principal of and interest on the Bonds from the Trust Estate at the place, on the date and in the manner provided herein and in the Bonds.

The Revenues due under the Note are to be remitted by the Borrower directly to the Trustee for the account of the Issuer and constitute a part of the Trust Estate and are subject to the lien and claim created by this Indenture. The moneys held by the Trustee in the Bond Fund (including the Capitalized Interest Account therein) and the Collateral Fund shall be used to make timely payment of the principal of and interest on the Bonds. Such amounts are to be sufficient in amount at all times to pay the principal of and interest on the Bonds to the Mandatory Tender Date or the Maturity Date, as applicable. The entire amount of Revenues and the entire amount of moneys held in the Bond Fund (including the Capitalized Interest Account therein) and the Collateral Fund are assigned to secure the payment of the principal of and interest on the Bonds.

Section 8.02. Performance of Covenants. The Issuer covenants that it will faithfully perform at all times any and all applicable covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto, subject, however to the limitations set forth in Section 2.09 hereof. The Issuer covenants that it is duly authorized under the laws of the State to issue the Bonds, to enter into this Indenture and the Bond Loan Agreement and to

assign the Revenues, and that, upon issuance, authentication, and delivery, the Bonds are and will be valid and enforceable limited obligations of the Issuer according to the import thereof.

Section 8.03. Maintenance of Existence; Compliance with Laws. The Issuer will (i) maintain its corporate existence or assure the assumption of its obligations under this Indenture by any public body succeeding to its powers under the Act, and (ii) comply with all valid material acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to this Indenture and the Bond Loan Agreement.

Section 8.04. Enforcement of Borrower's Obligations. So long as any of the Bonds are Outstanding, the Issuer will cooperate with the Trustee in enforcing the obligations of the Borrower to pay, or cause to be paid, all the payments and other costs and charges payable pursuant to the Bond Loan Agreement and the Note. Nothing contained in this Section or in any other Section of this Indenture shall be deemed to modify the provisions of the Act and Section 2.09 hereof or require that the Issuer expend any of its own funds or assets to enforce the obligations of the Borrower under the Documents.

Section 8.05. Further Assurances, Instruments and Actions. The Issuer will from time to time execute and deliver such further instruments, conveyances, assignments and transfers and take such further actions as may be reasonable and as may be required to better assure, convey, grant, assign or confirm the Trust Estate and all other rights, revenues or funds pledged, assigned or intended to be so pledged or assigned hereunder for the benefit of the owners of the Bonds; provided, however, that no such instruments or actions shall pledge the credit or taxing power of the State, the Issuer or any other political subdivision of the State, or create or give rise to any monetary obligation or liability of the Issuer. The Issuer has no taxing power.

Section 8.06. Priority of Pledge. The Issuer covenants and agrees that it will not create any lien or claim upon the Revenues other than the liens and claims hereby created. Except for the assignment to the Trustee, the Issuer will not sell, lease or otherwise dispose of or encumber any of the Revenues, and will cooperate in causing to be discharged or satisfied any lien or charge on any part of the Trust Estate.

Section 8.07. Books and Documents Open to Inspection.

Each of the Issuer and the Trustee each hereby covenants and agrees that all books and documents in its possession relating to the Bonds, the Development, and the moneys, revenues and receipts derived from the Development, if any, that shall at any time be in its possession, shall, within a reasonable time of a written request to the Trustee or the Issuer, as applicable, be open to inspection during the Trustee's or Issuer's regular business hours by such accountants or other agents as the Issuer, the Trustee or the Borrower may from time to time designate.

Section 8.08. Borrower to Indemnify and Hold the Issuer and Trustee Harmless from Liability. The Borrower has agreed to indemnify and hold the Issuer Indemnified Parties and the Trustee harmless from and against liability arising out of claims as defined and as provided in Sections 6.02 and 7.04 of the Bond Loan Agreement.

Section 8.09. Tax Exempt Status of Bonds. The Issuer and the Trustee (to the extent either exercises investment discretion) each agrees that it will not (a) take any action, (b) fail to take any action, or (c) make any use of the Development or the proceeds of the Bonds, which would cause the interest on any of the Bonds to be or become includible in the gross income of the owners thereof for federal income tax purposes (except for minimum or preference tax purposes or other indirect taxation). In connection with the foregoing, the Issuer covenants to comply with the provisions of the Arbitrage Certificate and the Arbitrage Rebate Agreement.

ARTICLE IX

DISCHARGE

Section 9.01. Discharge of Lien. If and when the Bonds secured hereby shall become due and payable in accordance with their terms as provided in this Indenture, or otherwise, and the whole amount of the principal and the interest so due and payable upon all of the Bonds, together with all other amounts payable hereunder by the Issuer and all fees and expenses of the Trustee and the Issuer, shall be paid, or provision shall have been made for the payment of the same, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon request of the Borrower, the Trustee shall turn over to the Borrower, so long as there shall have occurred no Event of Default which is uncured and continuing, any surplus in the Collateral Fund and all balances remaining in any other fund created under this Indenture and shall assign and transfer to the Borrower all other property then held by the Trustee under this Indenture and shall execute such documents as may be reasonably required by the Borrower, to satisfy the Bonds and release the Lender Mortgage.

If and when the Trustee shall hold sufficient moneys hereunder, as verified to the Trustee in writing by an Independent public accounting firm of national reputation or other firm similarly experienced in performing such computations, to provide for payment of the whole amount of the principal and interest due and payable and thereafter to become due and payable upon all the Bonds, together with all other amounts (exclusive of amounts in the Rebate Fund or the Expense Fund) payable or which may thereafter become payable hereunder by the Issuer, notwithstanding that all the Bonds have not yet become due and payable and that consequently the right, title and interest of the Trustee in and to the Trust Estate shall not have ceased, terminated and become void pursuant to the foregoing provisions of this Section 9.01, the Trustee, on demand of the Borrower, shall deposit with the Borrower, so long as there shall have occurred no Event of Default which is uncured and continuing, or to such person, body or authority as may be entitled to receive the same, any surplus in the Collateral Fund in excess of

the amount sufficient to pay the whole amount of the principal and interest due and payable and thereafter to become due and payable upon all Bonds together with all other amounts payable or which may thereafter become payable hereunder by the Issuer or the Borrower.

All Outstanding Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed above if (a) there shall have been deposited with the Trustee (as verified to the Trustee in writing by an Independent public accounting firm of national reputation or other firm similarly experienced in performing such computations) either (i) moneys in an amount which shall be sufficient, or (ii) Government Obligations which are not subject to redemption prior to maturity, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal and interest due and to become due on such Bonds on the maturity date or Mandatory Tender Date, as applicable, thereof, and (b) the Borrower shall have given the Trustee, in form satisfactory to it irrevocable instructions to give, as soon as practicable, a notice to the Holders of such Bonds and the Rating Agency that the deposit required by (a) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity upon which moneys are to be available for the payment of the principal and interest on such Bonds.

Neither the securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest, on such Bonds; provided that any cash received from such principal or interest payments on such securities deposited with the Trustee, if not then needed for such purpose, may be reinvested in Government Obligations (including any short term investment fund rated AAA or A-1+ (or comparable) by the Rating Agency and secured by and investing solely in Government Obligations) maturing at times and in amounts sufficient to pay when due the principal and interest to become due on such Bonds on and prior to such maturity dates thereof, as the case may be, and interest earned from such reinvestment shall be deposited into the Bond Fund.

The release of the obligations of the Issuer under this Section 9.01 shall be without prejudice to the right of the Trustee provided in Section 11.04 hereof to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements, including those of its attorneys, agents and employees, and shall not affect the obligations of the Borrower to make the payments required by the Bond Loan Agreement or the Note.

Notwithstanding anything herein to the contrary, the purchase of Government Obligations in accordance with Section 7.01 hereof, together with the Capitalized Interest Deposit, shall not cause a discharge of the Indenture under this Section 9.01.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.01. Events of Default and Acceleration. If any of the following events occur, it is hereby defined as and declared to be and constitute an “Event of Default”:

(a) any interest on any Bond is not paid on the date on which the same becomes due; or

(b) the principal of any Bond is not paid on the date on which the same becomes due, whether at the stated maturity thereof, by acceleration or otherwise; or

(c) an Event of Default occurs under the Bond Loan Agreement; or

(d) the Issuer fails to duly and promptly perform, comply with, or observe any covenant, condition, agreement or provision (other than as specified in (a) or (b) of this Section 10.01) contained in the Bonds or in this Indenture on the part of the Issuer to be performed, and such failure shall continue for a period of 90 days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Issuer and the Borrower and the Investor Limited Partner by the Trustee, which notice may be given by the Trustee in its discretion and shall be given at the written request of the Holders of not less than 100% in principal amount of the Bonds then Outstanding; provided, however, that if such default be such that it is correctable but cannot be corrected within 90 days, it shall not be an Event of Default if the Issuer or the Borrower or the Investor Limited Partner is taking appropriate corrective action to cure such failure and if such failure will not impair the security for the Loan or the Bonds.

If any Loan payment required under the Bond Loan Agreement to avoid a default under (a) or (b) of this Section shall not have been received at the close of business on the last business day preceding the day on which payment must be made to avoid a default under such (a) or (b), the Trustee shall use its best efforts to give telephonic notice of such default to the Borrower and the Investor Limited Partner of Borrower, which telephonic notice shall be confirmed by electronic, telegraphic or written notice to the Borrower and the Investor Limited Partner of Borrower. If any other default shall occur under the provisions of this Section, the Trustee shall, within five days after having actual knowledge of such default, use its best efforts to give written notice of such default to the Issuer, the Borrower, the Investor Limited Partner of Borrower, the Holders of the Bonds and the Rating Agency. A default or an Event of Default specified in (a) through (d) above shall occur even though the Trustee fails to give the notice required by this paragraph, the giving of such notice being intended solely to aid in the enforcement of the rights of Bondholders and not in limitation of such rights.

If an Event of Default specified in (a) or (b) of this Section 10.01 shall occur and be continuing, the Trustee, may, and upon written request of the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding shall, declare the principal of all

Bonds then Outstanding to be immediately due and payable by notice in writing to that effect delivered to the Issuer, the Borrower and the Rating Agency, and upon such declaration such principal, together with interest accrued thereon, shall become immediately due and payable at the place of payment provided in such notice, anything in this Indenture or in the Bonds to the contrary notwithstanding.

If an Event of Default specified in (c) or (d) of this Section 10.01 shall occur and be continuing, the Trustee, upon written request of the Holders of not less than 100% in aggregate principal amount of the Bonds then Outstanding, shall declare the principal of all Bonds then Outstanding to be immediately due and payable by notice in writing to that effect delivered to the Issuer, the Borrower and the Rating Agency, and upon such declaration such principal, together with interest accrued thereon, shall become immediately due and payable at the place of payment provided therein, anything in this Indenture or in the Bonds to the contrary notwithstanding.

The Investor Limited Partner shall be entitled (but not obligated) to cure any Event of Default hereunder within the time frame provided to the Borrower hereunder. The Issuer and the Trustee agree that a cure of any default or Event of Default made or tendered by the Investor Limited Partner shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 10.02. Trustee to Enforce Rights of the Issuer. Only in accordance with the provisions of this Indenture, the Trustee, as the assignee of all the right, title and interest of the Issuer in and to each of the documents constituting a part of the Trust Estate (except the Unassigned Rights of the Issuer), may enforce the rights granted to the Issuer pursuant to such documents. In the enforcement of any rights or remedies under such documents, no provision of such documents shall require, and none shall be construed to require, that the Trustee post a bond or establish any surety of any kind as a condition precedent to exercising any such rights or remedies.

Section 10.03. Remedies. Upon the happening of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Holders of not less than 51% in principal amount of the Bonds then Outstanding and receipt of satisfactory indemnity, shall:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Issuer or the Borrower to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act and the Documents including, but not limited to, foreclosing upon the security interest in or otherwise using funds on deposit in the Collateral Fund;

- (b) bring suit upon the Bonds; or

- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

Notwithstanding anything contained herein to the contrary, upon the occurrence and continuance of an Event of Default, before taking any action which may subject the Trustee to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such action.

Section 10.04. Termination of Proceedings. In case any proceeding taken by the Trustee on account of any default or Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Issuer, the Trustee, the Bondholders, and the Borrower shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 10.05. Right of Bondholders to Direct Proceedings. No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder, or any other remedy hereunder or on the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless also the Holders of not less than 51% in principal amount of the Bonds then outstanding shall have made written request of the Trustee to do so, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and satisfactory indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of this Indenture or for any other remedy hereunder; it being understood and intended that no one or more Holders of the Bonds hereby secured shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under the Bonds, except in the manner herein provided and for the equal benefit of all Holders of Outstanding Bonds. For purposes of the foregoing sentence, the Trustee shall be deemed to have failed to act within a reasonable time if it fails to take action within 60 days after receipt of written notice and compliance with the foregoing terms and conditions, whereupon, the Holders of 51% aggregate principal amount of the Bonds may take such action in the place of the Trustee. Nothing in this Indenture contained shall, however, affect or impair the right of any Holder of Bonds to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and interest, on each of the Bonds issued hereunder to the respective Holders of the Bonds at the time, place, from the source and in the manner herein and in such Bonds expressed.

Section 10.06. Remedies Vested in Trustee. All rights of action under this Indenture or under any of the Bonds secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of this Indenture.

Section 10.07. Remedies Non-Exclusive and Cumulative. No remedy herein conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.08. Delays or Omissions by Trustee. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or any acquiescence therein; and every power and remedy given by this Article X to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.09. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article X shall, after payment of all costs and expenses of the Trustee and the Issuer, be deposited in the Collateral Fund and all moneys so deposited in the Collateral Fund during the continuance of an Event of Default (other than moneys for the payment of Bonds which have matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default, which moneys shall continue to be held for such payments) shall be applied as follows:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the direct order of the maturity of the installments of such interest and, if the amounts available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second - To the payment to the persons entitled thereto of the unpaid principal, on any of the Bonds, which shall have become due (other than Bonds which have matured or otherwise become payable prior to such Event of Default and moneys for the payment of which are held in the Collateral Fund or otherwise held by the Trustee), with interest on such principal from the respective dates upon which the same became due and, if the amount available shall not be sufficient to pay in full the amount of principal, and the interest due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege; and

Third - To be held for the payment to the persons entitled thereto as the same shall become due of the principal of and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege; and

Fourth - The remainder, if any, shall be deposited in the Collateral Fund.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts or principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.10. Severability of Remedies. It is the purpose and intention of this Article to provide rights and remedies to the Trustee and Bondholders which may be lawfully granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled, as above set forth, to every other right and remedy provided in this Indenture and by law.

Section 10.11. No Interference or Impairment of Lender Loan. Notwithstanding anything herein to the contrary, none of the Issuer, the Trustee nor any other person shall:

- (a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Lender Loan; or
- (b) interfere with or attempt to interfere with or influence the exercise by the Lender of any of its rights under the Lender Loan, including, without limitation, the Lender remedial rights under the Lender Loan upon the occurrence of an event of default by the Borrower under the Lender Loan.

The foregoing prohibitions and limitations shall not be construed to affect the Unassigned Rights of the Issuer or to limit the rights of the Issuer to enforce its rights against the Borrower under the indemnification provisions of this Indenture.

Notwithstanding anything in this Indenture to the contrary, any right of the Issuer or the Trustee to take any action at law or in equity to enforce the obligations, covenants and agreements of the Borrower under this Indenture which includes any claim for indemnification, damages or any other monetary obligation sought to be enforced shall be subject and subordinate in all respects to the repayment in full of all amounts due under the Lender Loan Documents.

No subsequent owner of the Development shall be liable or obligated for the breach or default of any obligation of any prior Borrower unless specifically assumed in writing by a subsequent Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations shall be personal to the person who was the Borrower at the time the default or breach was alleged to have occurred and such person shall remain liable for any and all damages occasioned by the default or breach even after such person ceases to be the Borrower with regards the Development.

Promptly upon determining that an Event of Default under this Indenture has occurred, the Issuer or the Trustee shall, by notice in writing to the Lender, inform the Lender that such Event of Default has occurred, the nature of such Event of Default and that such Event of Default has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such Event of Default, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Lender Loan or to foreclose on the Lender Mortgage.

ARTICLE XI

CONCERNING THE TRUSTEE

Section 11.01. Acceptance of Trusts. The Trustee hereby accepts the trusts hereby created and agrees to perform and execute such trusts as an ordinary prudent trustee under a corporate indenture, but only upon the additional terms set forth in this Article, to all of which the Issuer agrees and the respective Holders of the Bonds agree upon and by their acceptance of delivery of any of the Bonds.

Section 11.02. Trustee Not Responsible for Recitals, Statements and Representations. Except as otherwise expressly provided herein, any representations or warranties by the Issuer in this Indenture or in the Bonds contained shall be taken and construed as made by and on the part of the Issuer, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any Official Statement or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

The Trustee shall not be responsible or accountable for the use or application by the Borrower of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received by any paying agent.

Section 11.03. Action by Trustee Through and in Reliance Upon Others. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, receivers or employees. The Trustee shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder, and the written advice or opinion of such counsel shall be full and complete authorization and protection for any action taken or omitted by it in good faith and in accordance with such advice or opinion. The Trustee may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts hereof. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatever in connection with the trust, except only for negligence or willful misconduct with respect to its responsibilities hereunder.

Except for fraud and willful misconduct, no personal recourse may be taken, directly or indirectly, against any officer, director, employee or agent of the Trustee with respect to the obligations of the Trustee under this Indenture or any certificate or other writing delivered in connection therewith. The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties and functions under this Indenture shall extend to the Trustee's officers, directors, agents and employees.

The Trustee's immunities and protections from liability and its right to payment of compensation and indemnification in connection with performance of its duties and functions under this Indenture shall survive the Trustee's resignation or removal and the final payment of the Bonds.

Section 11.04. Fees and Expenses of Trustee. The Trustee shall be entitled to payment and/or reimbursement of such fees as the Trustee and the Borrower shall agree upon, to payment and/or reimbursement of reasonable fees, for its services rendered hereunder and as Dissemination Agent, and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. For so long as the Bonds are outstanding hereunder, in no event will monies on deposit in the Proceeds Account of the Project Fund, the Collateral Fund, and the Bond Fund (including the Capitalized Interest Account therein) be used for the payment and/or reimbursement of such Trustee fees.

Section 11.05. Trustee's Obligations to Take or Have Notice of Default. The Trustee shall not be required to take notice, or to be deemed to have notice, of any default under

this Indenture other than an Event of Default under Section 10.01(a) or Section 10.01(b) hereof, unless a Responsible Officer of the Trustee is specifically notified in writing of such default by the Issuer or by the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding. The Trustee may, however, at any time, in its discretion, require of the Issuer information and advice as to the performance of any of the covenants, conditions and agreements contained herein.

Section 11.06. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default,

(1) The Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine those certificates and opinions to determine whether they conform to the requirements of the Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(1) This paragraph does not limit the effect of paragraph (b) of this Section or Section 11.03 hereof,

(2) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts,

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it in accordance with this Indenture, and

(4) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers.

(d) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense, but the Trustee shall not require indemnity as a condition to making any payments on the Bonds, or declaring the principal of and interest on the Bonds to be due immediately hereunder.

(e) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of this Indenture and final payment of the Bonds.

(f) Except as otherwise provided in this Article, the Trustee shall be under no obligation to take any action in respect of any default or otherwise, or toward the execution or enforcement of any of the trusts hereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding, and if in its opinion such action may tend to involve it in expense or liability, unless furnished, from time to time as often as it may require, with security and satisfactory indemnity. The foregoing provisions are intended only for the protection of the Trustee, and shall not affect any discretion or power given by any provision of this Indenture to the Trustee to take action in respect of any default without such written notice or request from the Bondholders, or without such security or indemnity.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct as described in Section 11.06(c) above.

(h) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(i) The Trustee may conclusively rely upon and shall be fully protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, requisition, direction, opinion or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of the Bonds shall be conclusive and binding upon all future owners of the same Bonds and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall have the right to accept and act upon directions or instructions given pursuant to this Indenture or any other document reasonably relating

to the Bonds and delivered using Electronic Means (as defined below); provided, however, that the Issuer or the Borrower, as the case may be, shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such directions or instructions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Issuer or the Borrower elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustee's understanding of such directions or instructions shall be deemed controlling. The Issuer and the Borrower each understand and agree that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Issuer and the Borrower, as the case may be, shall each be responsible for ensuring that only Authorized Officers transmit such directions or instructions to the Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. Each of the Issuer and the Borrower agrees: (i) to assume all risks arising out of the use of Electronic Means by the Borrower to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

Section 11.07. Trustee May Make Advances to Effect Performance. If the Issuer shall fail to perform any of the covenants or agreements contained in this Indenture other than the covenants or agreements in respect of the payment of the principal of and interest on the Bonds, the Trustee may, in its absolute discretion and without notice to the Bondholders, at any time and from time to time, make advances to effect performance of the same on behalf of the Issuer, but the Trustee shall be under no obligation so to do; and any and all moneys paid or advanced

by the Trustee for any such purposes, together with interest thereon at the rate equal to 8%, shall be reimbursed by the Borrower upon demand by the Trustee; but no such advance shall operate to relieve the Issuer from any default hereunder.

Section 11.08. Trustee May Rely Upon Instruments. The Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any indenture, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of the Indenture or the Documents, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements, and shall be protected and shall incur no liability in acting or proceeding in good faith in reliance thereon. The Trustee shall not be bound to recognize any person as a Holder of any Bond or to take any action at his request unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee.

Section 11.09. Trustee May Own and Deal in Bonds and Deal With the Issuer and Borrower. The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder and secured by this Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Borrower or any related entity, and may act as depository, trustee, or agent for any committee or body of Holders of the Bonds secured hereby or other obligations of the Issuer as freely as if it were not Trustee hereunder.

Section 11.10. Financial Liability of the Trustee. No provision of this Indenture will require the Trustee to expend or risk its own funds or otherwise incur or risk any financial liability in the performance of any of its duties under this Indenture, or in the exercise of any of its rights or powers if it will have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Except as may otherwise be provided in this Indenture, the Trustee will have the right to demand, in respect to the authentication of any Bonds or the release of any property, any showings, certificates, opinions (including Opinions of Counsel), appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof or of the Bond Loan Agreement required as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Issuer or the Borrower to the authentication of any Bonds, or the release of any property.

Section 11.11. Trustee May Construe Ambiguous or Inconsistent Provisions. The Trustee may construe any of the provisions of the Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provisions hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Bondholders.

Section 11.12. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture by giving not less than 60 days written notice to the Issuer specifying the date when such resignation shall take effect and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of such successor, provided that such resignation shall not take effect unless and until a successor shall have been appointed.

Section 11.13. Removal of Trustee. The Trustee shall be removed by the Issuer or by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized (with the consent of the Issuer), excluding any Bonds held by or for the account of the Issuer, if so requested by an instrument or concurrent instruments in writing giving not less than 60 days written notice, filed with the Trustee and the Issuer. The Issuer may also remove the Trustee at any time, except during the existence of any Event of Default as defined in Section 10.01 hereof, for cause or breach of trust or for acting or proceeding in violation of, or failing to act or proceed in accordance with any provision of this Indenture with respect to the duties and obligations of the Trustee by filing with the Trustee an instrument signed by an authorized officer of the Issuer. A copy of each such instrument providing for any such removal shall be delivered by the Issuer to any Bondholder who shall have filed his name and address with the Issuer. Such removal of the Trustee in accordance with this Section 11.13 shall not be effective until a successor trustee shall have been appointed.

Section 11.14. Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer (upon direction of the Borrower) covenants and agrees that it will thereupon appoint a successor Trustee.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provision of this Section within 60 days after the Trustee shall have given to the Issuer written notice as provided in Section 11.12 hereof, within 60 days after the Issuer or the Holders shall have given to the Trustee written notice as provided in Section 11.13 hereof, or at any time after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, prescribe and appoint a successor Trustee.

Any Trustee appointed under the provision of this Section 11.14 in succession to the Trustee shall be a bank or trust company or national banking association with trust powers, having a combined capital, surplus and undivided profits of at least \$50,000,000 if there be such a bank or trust company or national bank association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

Section 11.15. Appointment of Successor Trustee by Court. In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the retiring Trustee may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article within 60 days after a vacancy shall have occurred in the office of Trustee, the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Trustee.

Section 11.16. Acceptance of Trust by Successor Trustee. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and the Rating Agency an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trust, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. Upon request of such Trustee, the Trustee ceasing to act and the Issuer shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts hereunder of the Trustee so ceasing to act, and the Trustee so ceasing to act shall pay over to the successor Trustee all moneys and other assets at the time held by it hereunder.

Section 11.17. Merger or Consolidation of Trustee With Another Corporation. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, shall be the successor Trustee under this Indenture without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 11.18. Action of Trustee During Existence of an Event of Default. Notwithstanding any other provisions of this Article, the Trustee shall, during the existence of an Event of Default known to the Trustee, exercise such of the rights and powers vested in it by the Indenture and use the same degree of skill and care in their exercise as a prudent person would use and exercise under the circumstances.

Section 11.19. Notice of an Event of Default. Notwithstanding anything herein to the contrary, upon the occurrence of an Event of Default known to a Responsible Officer of the Trustee, the Trustee shall within 30 days give written notice thereof to the Issuer, to the Rating Agency, and to each Bondholder at its last address appearing upon the registration books of the Issuer kept by the Trustee unless such Event of Default shall have been cured before the giving of such notice.

Section 11.20. Trustee May Intervene. In any judicial proceeding to which the Issuer is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Holders of the Bonds, the Trustee may intervene on behalf of the Holders of the Bonds and shall, upon receipt of satisfactory indemnity do so if requested in writing by the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding, if such intervention is permitted by the court having jurisdiction in the premises.

Section 11.21. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any Bonds which remain unclaimed for a period of one year after the date when such Bonds have become due and payable either (i) at their stated maturity dates, if such moneys were held by the Trustee at such date, or (ii) for a period of one year after the date such moneys were deposited with the Trustee, if such moneys were deposited after the date when all Bonds became due and payable, shall be paid by the Trustee to the State pursuant to Chapter 717, Florida Statutes, and the Trustee shall thereupon be released and discharged. Thereafter, any person having a claim against any such moneys shall look solely to the State for payment of the same pursuant to Chapter 717, Florida Statutes.

Section 11.22. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Bond Loan Agreement, and in particular in case of the enforcement thereof on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Approval in writing from the Issuer shall be required prior to the appointment of the separate or co-trustee by the Trustee. All such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer at the expense of the Borrower. In case any separate or co-trustee or a successor to either shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such

separate or co-trustee, so far as permitted by law and so approved by the Issuer, shall vest in and be exercised by the Trustee until the appointment of a successor to such separate or co-trustee.

Section 11.23. Financing Statements. Pursuant to Section 5.05 of the Bond Loan Agreement, the Borrower shall cause to be perfected any security interest created hereunder by the filing of financing statements which fully comply with the State of Florida Uniform Commercial Code. Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the Uniform Commercial Code. The Trustee shall cause to be filed a continuation statement with respect to each Uniform Commercial Code financing statement relating to the Bonds which was filed at the time of the issuance thereof, in such manner and in such places as the initial filings were made, provided that a copy of the filed original financing statement is timely delivered to the Trustee. Unless the Trustee shall have been notified in writing by the Issuer or a Bondholder that the initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in (i) relying on such initial filing and descriptions in filing any financing or continuation statements or modifications thereto pursuant to this Section 11.23 and (ii) filing any continuation statements in the same filing offices as the initial filings were made. The Borrower shall be responsible for the reasonable costs incurred by the Trustee in the preparation and filing of all continuation statements hereunder.

ARTICLE XII

MODIFICATION OF INDENTURE AND OTHER DOCUMENTS

Section 12.01. Limitation on Amendments to this Indenture. This Indenture shall not be modified or amended in any respect except as provided in accordance with and subject to the provisions of this Article.

Section 12.02. Amendments to Indenture and Bond Loan Agreement Not Requiring Consent of Bondholders.

(a) the Issuer and the Trustee may, from time to time and at any time, without the consent of Bondholders, enter into agreements supplemental to this Indenture and the Bond Loan Agreement as follows:

(1) to specify and determine any matters and things relative to Bonds which shall not materially adversely affect the interest of the Bondholders;

(2) to cure any formal defect, omission or ambiguity in this Indenture or the Bond Loan Agreement if such action does not materially adversely affect the rights of the Bondholders;

(3) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as heretofore in effect;

(4) to add to the covenants and agreements of the Issuer in this Indenture or the Bond Loan Agreement other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with this Indenture or the Bond Loan Agreement as theretofore in effect;

(5) to add to the limitations and restrictions in this Indenture or the Bond Loan Agreement, other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Indenture or the Bond Loan Agreement as theretofore in effect;

(6) to confirm, as further assurance, any pledge under and the subjection to any claim, lien or pledge created, or to be created by, this Indenture, of the Revenues or of any other moneys, securities or funds; or

(7) to modify, amend or supplement this Indenture or the Bond Loan Agreement in any respect which, in the judgment of the Trustee, is not materially adverse to the interests of the owners of the Bonds.

(b) Before the Issuer shall enter into any agreement supplemental to this Indenture pursuant to this Section, there shall have been filed with the Trustee an opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by this Indenture and complies with its terms, and that upon adoption it will be valid and binding upon the Issuer in accordance with its terms. The opinion of Bond Counsel filed with the Trustee shall also state that the effectiveness of the supplemental indenture will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(c) The Trustee shall send written notice to the Rating Agency and the Borrower of any amendment to this Indenture or the Bond Loan Agreement.

Section 12.03. Amendments to Indenture Requiring Consent of Bondholders.

(a) Subject to the terms and provisions contained in this Section and not otherwise, the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the execution and delivery by the Issuer and the Trustee of any agreement supplemental to this Indenture as shall be deemed necessary or desirable by the Issuer and the Trustee for the purposes of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in this Indenture; provided, however, that, unless approved in writing by the Holders of all of the Bonds then

Outstanding, nothing herein contained shall permit, or be construed as permitting, (i) a change in the terms of maturity of the principal of or the interest on any Outstanding Bond, or a reduction in the principal amount of any Outstanding Bond or the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge or assignment of, the Trust Estate ranking prior to or on a parity with the claim, lien, assignment or pledge created by this Indenture, or the release of the Trust Estate or any part thereof (except to the extent permitted pursuant to the Documents), or (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for any action or consent by Bondholders set forth in this Indenture, including (without limitation) that required for consent to such supplemental indentures. This Section shall not limit or otherwise affect the ability of the Issuer to enter into agreements supplemental to this Indenture without the consent of the Bondholders pursuant to Section 12.02 hereof.

(b) If at any time the Issuer and the Trustee shall determine to enter into any supplemental indenture for any of the purposes of this Section, the Trustee shall cause written notice of the proposed supplemental indenture to be given to all Holders of the Bonds; provided, however, that failure to give such notice or any defect therein, shall not affect the validity of any proceedings pursuant hereto. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that a copy thereof is on file at the Trust Office of the Trustee for inspection by all Bondholders.

(c) Within 120 days after the date of giving such notice, the Issuer and the Trustee may enter into such supplemental indenture in substantially the form described in such notice only if there shall have first been filed with the Issuer (i) the written consents of Holders of not less than 66 2/3% in aggregate principal amount of the Bonds then outstanding (or 100% if required hereunder) and (ii) an opinion of Bond Counsel stating that (1) such supplemental indenture is authorized or permitted by this Indenture and complies with its terms, and that upon adoption it will be valid and binding upon the Issuer in accordance with its terms and (2) the effectiveness of the supplemental indenture will not affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(d) If the Holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the supplemental indenture as herein provided, no Holder of any Bond shall have any right to object to such supplemental indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety thereof, or to enjoin or restrain the Issuer or the Trustee from entering into the same or from taking any action pursuant to the provisions thereof.

(e) Upon the effectiveness of any supplemental indenture entered into pursuant to the provisions of this Section, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and

obligations under this Indenture of the Issuer, the Trustee and all Holders of Bonds then outstanding shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments.

(f) The Trustee shall send written notice to the Rating Agency of any amendment to this Indenture.

Section 12.04. Supplemental Indentures Part of Indenture. Any supplemental indenture entered into in accordance with the provisions of this Article shall thereafter form a part of this Indenture and all the terms and conditions contained in any such supplemental indenture as to any provision authorized to be contained therein shall be and shall be deemed to be a part of the terms and conditions of this Indenture for any and all such purposes.

Section 12.05. Required Consent. Notwithstanding anything herein to the contrary, the Trustee shall not be required to enter into or consent to any supplemental indenture or any amendment of any other Document that would materially adversely affect the rights, obligations, powers, privileges, indemnities, immunities or other security provided the Trustee herein or therein, except to the extent necessary, as set forth in an opinion of Bond Counsel, to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 12.06. Amendments to Documents Requiring Consent of Bondholders. Except as provided in Section 12.02 of this Indenture, the Issuer and the Trustee shall not consent to any amendment, change or modification of the Documents without the giving of notice and the written approval or consent of the Holders of the Bonds at the time Outstanding given and procured as provided in Section 12.03 hereof; provided, however, no such separate approval or consent shall be required in connection with the issuance of refunding Bonds if any required consent of the required number of Holders to the issuance thereof shall have been previously obtained. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change, or modification to be given in the same manner as provided by Section 12.03 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Trust Office of the Trustee for inspection by all Bondholders.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. The Issuer's Successors. In the event of the dissolution of the Issuer, all the covenants, stipulations, promises and agreements in the Indenture contained by or on behalf of, or for the benefit of, the Issuer, shall bind or inure to the benefit of the successors of

the Issuer from time to time and any entity, officer, board, commission, agency or instrumentality to whom or to which any power or duty of the Issuer shall be transferred.

Section 13.02. Indenture for Benefit of the Issuer, Trustee and Bondholders. Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, other than the Issuer, the Trustee and the Holders of the Bonds, any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the Issuer and the Trustee and the Holders of the Bonds; provided that this Indenture shall also be for the benefit of the Borrower, and the Borrower shall be deemed to be a third-party beneficiary of and in connection with those matters in which the terms of this Indenture fairly construed are indicative that they are for the benefit of the Borrower.

Section 13.03. Severability. In case any one or more of the provisions of this Indenture or of the Bonds for any reason, is held to be illegal or invalid such illegality or invalidity shall not affect any other provisions of this Indenture or the Bonds, and this Indenture and the Bonds shall be construed and enforced to the end that the transactions contemplated hereby be effected and the obligations contemplated hereby be enforced as if such illegal or invalid provisions had not been contained therein.

Section 13.04. Officials of the Issuer Not Liable. No personal recourse may be taken, directly or indirectly, against any past, present or future officer, director, employee or agent of the Issuer with respect to the obligations of the Issuer under this Indenture or any certificate or other writing delivered in connection therewith. The Issuer's immunities and protections from liability and its right to indemnification in connection with the performance of its duties and functions under this Indenture shall extend to the Issuer's past, present and future officers, directors, employees and agents.

Section 13.05. Governing Law. The laws of the State shall govern the construction of this Indenture and of all Bonds issued hereunder.

Section 13.06. Notices; Publication of Notice.

(a) All notices, advice, certifications or other communications hereunder between the Issuer and the Trustee shall be sufficiently given and shall be deemed given when provided in writing and when delivered by hand or overnight courier, or mailed by certified or registered mail, postage prepaid, return receipt requested, or transmitted by electronic means (including, without limitation, facsimile transmission) addressed to the appropriate Notice Address. The Issuer or the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, advice, certifications or other communications shall be sent. Notices to persons other than the Issuer or the Trustee (such as, for example, notices to owners of Bonds) shall be governed by the other applicable provisions of this Indenture.

(b) Whenever the Issuer or the Trustee is required or permitted to give or publish notice of any event or occurrence under this Indenture, such notice shall be given or published in such manner and by such means as the Issuer or the Trustee, as the case may be, shall determine to be appropriate. Such publication may be by (but is not limited to) any of the following means: (1) publication in one or more newspapers or trade journals selected by the Issuer or the Trustee, as the case may be; (2) publication by or through one or more financial information reporting services; (3) delivery to the Municipal Securities Rulemaking Board's EMMA System or any successor repository or entity fulfilling a substantially similar or like role; or (4) by mailing a copy of such notice by first class mail, postage prepaid, to the person entitled to receive the notice at such person's address as shown on the records of the Issuer or the Trustee.

Section 13.07. Trustee as Paying Agent and Bond Registrar. The Trustee is hereby designated and agrees to act as paying agent and Bond registrar for and in respect to the Bonds.

Section 13.08. Execution of Instruments by Bondholders and Proof of Ownership of Bonds. Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of the Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be conclusively proved by the registration books kept under the provisions of Section 2.08 of this Indenture.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient. Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond in respect of anything done by the Trustee pursuant to such request or consent.

Section 13.09. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original, but all of which shall constitute but one and the same instrument.

Section 13.10. Patriot Act. Federal law requires all financial institutions to obtain, verify, and record information that identifies each Person who opens an account. Accordingly,

the Trustee may require documentation from each non-individual Person such as a business entity, a charity, a trust, or other legal entity verifying its formation as a legal entity and that the Trustee may also request identifying information to sufficiently verify the identities of individuals claiming authority to represent the entity.

IN WITNESS WHEREOF, the Issuer has caused this Indenture to be signed and sealed in its name by its authorized officers, and the Trustee has caused this Indenture to be signed and sealed in its name by its duly authorized officers, all as of the day and year first above written.

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

By:_____

Name: William I. Gulliford, III

Title: Chair

[Counterpart Signature Page to Trust Indenture]

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By: _____

Name: Janalee R. Scott

Title: Vice President

CONSENT AND AGREEMENT OF BORROWER

For and in consideration of the issuance of the Bonds by the Issuer, the Borrower consents to and approves the Indenture in all respects. In addition, the Borrower agrees that whenever the Indenture by its terms imposes any duty or obligation on the Borrower, such duty or obligation shall be binding upon the Borrower to the same extent as if the Borrower were an express party to the Indenture, and the Borrower agrees to carry out and perform its duties and obligations thereunder.

BORROWER:

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Name: Bryan Hartnett
Title: President

EXHIBIT A
FORM OF BONDS

No. R-1

\$[_____]

\$[_____]
UNITED STATES OF AMERICA
STATE OF FLORIDA
JACKSONVILLE HOUSING FINANCE AUTHORITY
MULTIFAMILY HOUSING REVENUE BONDS
(CAROLINE ARMS APARTMENTS), SERIES 2018

THIS BOND AND THE ISSUE OF WHICH IT FORMS A PART ARE NOT GENERAL OBLIGATIONS OF THE ISSUER BUT ARE LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE MONEYS AND PROPERTIES PLEDGED FOR PAYMENT THEREOF. THE ISSUER HAS NO TAXING POWER.

Unless this Bond is presented by an authorized representative of the Securities Depository (as defined in the Indenture) to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of the Securities Depository (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of the depository), any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

MANDATORY

<u>DATED DATE</u>	<u>INTEREST RATE</u>	<u>TENDER DATE</u>	<u>MATURITY DATE</u>	<u>CUSIP NUMBER</u>
May [___], 2018	[___]%		May [___], 2020	

Registered Owner: CEDE & CO.

Principal Amount: [_____] THOUSAND DOLLARS

FOR VALUE RECEIVED, the Jacksonville Housing Finance Authority ("the Issuer"), a public body corporate and politic duly organized and existing under the laws of the State of Florida (the "State"), hereby promises to pay (but only out of the Trust Estate pledged therefor) to the registered owner identified above, or its successor or registered assignee or legal representative, unless previously called for redemption, the principal amount set forth above, on the Maturity Date identified above, in lawful money of the United States of America which

on the date of payment is legal tender for the payment of public and private debts, upon the presentation and surrender of this Bond at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee, or its successor in trust (the "Trustee"), and to pay interest thereon (but only out of the Revenues) to the registered owner hereof from the Dated Date identified above until maturity, at the Interest Rate per annum identified above (subject to adjustment or change as herein provided), or at the Remarketing Rate, as the case may be, payable at the times and in the manner hereinafter set forth. Principal hereof shall be payable, upon the request of any registered holder of Bonds on the applicable Record Date having an aggregate principal amount of \$1,000,000 or more, by wire transfer of immediately available funds from the Trustee to the bank and account number specified by such holder to the Trustee in writing. All interest hereon shall be paid by check or draft mailed by the Trustee to the registered owner hereof at his address as it appears on the registration books of the Issuer, or, upon the request of any registered holder of Bonds having an aggregate principal amount of \$1,000,000 or more, by wire transfer of immediately available funds from the Trustee to the bank and account number provided by such registered owner to the Trustee in writing, such interest to the maturity hereof being payable semi-annually on each June 1 and December 1, commencing December 1, 2018, in lawful money of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts.

NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON EXCEPT FROM THE REVENUES AND ASSETS PLEDGED BY THE ISSUER FOR THE PAYMENT THEREOF AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL THEREOF OR THE INTEREST THEREON. THE BONDS SHALL BE SOLELY THE OBLIGATIONS OF THE ISSUER AND NOT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE BONDS SHALL BE PAYABLE SOLELY OUT OF THE INCOME, REVENUES AND RECEIPTS DERIVED OR TO BE DERIVED FROM THE FUNDS AND ACCOUNTS HELD UNDER AND PURSUANT TO THE INDENTURE AND SUCH OTHER PROPERTY CONSTITUTING THE TRUST ESTATE PLEDGED UNDER THE INDENTURE. THE BONDS SHALL BE LIMITED OBLIGATIONS OF THE ISSUER AND DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL OR SPECIAL, OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

This Bond is one of an issue of the \$12,800,000 the Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the "Bonds"), of like date and tenor, except as to number and denomination, issued under and pursuant to the laws of the State, Florida Housing Finance Authority Law, Part IV, Chapter 159, Florida Statutes, as amended and supplemented from time to time, Chapter 52 Ordinance Code of the City, as amended, Ordinance 2014-185-E of the City, Resolution No. [] of the City, a Resolution of the Issuer adopted on March 21, 2018 and a Resolution of the Issuer adopted on June 18, 2018 (the "Act"), for the purpose of financing a portion of the costs of the

acquisition, rehabilitation, installation and equipping by Caroline Arms Preservation, Ltd., a Florida limited partnership (the "Borrower"), of a 204-unit multifamily rental housing facility project to be occupied by persons of low, middle or moderate income to be known as Caroline Arms Apartments and to be located at 6457 Fort Caroline Road, Jacksonville, Duval County, Florida 32277 (the "Development"). The proceeds of the Bonds are being loaned to the Borrower by the Issuer under a Loan Agreement dated as of June 1, 2018 between the Borrower and the Issuer (the "Bond Loan Agreement") and evidenced by a Multifamily Promissory Note dated the Closing Date from the Borrower to the Issuer (the "Note").

The Bonds are issued under a Trust Indenture dated as of June 1, 2018 between the Issuer and the Trustee (the "Trust Indenture"), and, to the extent provided therein, are, together with all other Bonds that may be issued thereunder, equally and ratably secured and entitled to the protection given by the Trust Indenture. Pursuant to the Trust Indenture, the Issuer has assigned to the Trustee (among other things) the Revenues. Pursuant to the Note and the Bond Loan Agreement, payments sufficient for the prompt payment when due of the principal of and interest on the Bonds are to be paid by the Borrower to the Trustee for the account of the Issuer. The obligations of the Borrower under the Note and the Bond Loan Agreement are secured by the proceeds of the Bonds deposited into the Project Fund created pursuant to Section 4.01 of the Trust Indenture, and from moneys deposited into the Collateral Fund created pursuant to Section 4.01 of the Trust Indenture.

Reference is made to the Trust Indenture, the Note and the Bond Loan Agreement and to all amendments and supplements thereto for a description of the property pledged and assigned and the provisions, among others, with respect to the nature and extent of the security, the rights, duties and other obligations of the Issuer and the Trustee, the terms on which the Bonds are issued and secured, the rights of the holders of the Bonds and provisions for defeasance of such rights. Capitalized terms used herein have the same meaning as set forth in the Trust Indenture. The terms and conditions set forth herein concerning payment and other rights and remedies of the owners of the Bonds are descriptive only and are subject in all cases to the terms and conditions as set forth in the Trust Indenture.

This Bond is negotiable and is transferable, as provided in the Trust Indenture, only upon the books of the Issuer kept at the office of the Trustee, by the registered owner hereof in person or by his duly authorized attorney, and may be exchanged for new Bonds of the same aggregate principal amount of authorized denominations, maturity and interest rate, in registered form, but only upon presentation and surrender of this Bond, all in the manner and subject to the limitations and conditions provided in the Trust Indenture. The Issuer and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for all purposes; and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

The Bonds are issuable in the form of registered Bonds without coupons in denominations of \$5,000 each or integral multiples thereof.

The Bonds are subject to mandatory tender in whole and not in part on the Mandatory Tender Date specified above and shall be purchased at a price equal to 100 percent of the principal amount of such Bonds, plus accrued interest, if any to the Mandatory Tender Date, and without premium, as set forth in the Indenture.

The Bonds are not subject to optional redemption prior to the Mandatory Tender Date, the Bonds may be subject to optional redemption prior to their stated maturity, at par as set forth in the Indenture. Upon presentation and surrender of the Bonds by the Holder on the date fixed for redemption, the Holder shall be paid the principal amount of the Bonds to be redeemed, plus accrued interest on such Bonds to the redemption date.

In certain events, on the conditions, in the manner and with the effect set forth in the Trust Indenture, the principal of all the Bonds then outstanding under the Trust Indenture may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

The Holder of this Bond shall have no right to enforce the provisions of the Trust Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Trust Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Trust Indenture. The Trustee shall treat the registered owner of this Bond as the person exclusively entitled to payment of principal and interest, and the exercise of all rights and powers of the owner of this Bond.

All acts, conditions and things required by the statutes of the State, the Act and the Trust Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed.

In any case where the date of maturity of or interest on this Bond shall not be a Business Day, then payment of interest or principal need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity.

This Bond shall not be entitled to any benefit under the Trust Indenture, or be valid or become obligatory for any purpose, until the Trustee shall have executed the Certificate of Authentication appearing hereon.

IN WITNESS WHEREOF, the JACKSONVILLE HOUSING FINANCE AUTHORITY has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairman and has caused its official seal (or a facsimile thereof) to be reproduced hereon and attested by the manual or facsimile signature of its Assistant Secretary or an Assistant Secretary.

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

By:_____

Name: William I. Gulliford, III

Title: Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the Trust Indenture referred to in this Bond.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By _____
Authorized Signature

Date of Authentication: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(Please Print or Type Name and Address of Assignee)

Social Security or Taxpayer Identification Number: _____

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the said bond on the books of the within named issuer maintained by the Trustee for the registration thereof, with full power of substitution in the premises.

Notice: The signature to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatever. The signature must be guaranteed.

Signature guaranteed by:

[Bank, Trust Company or Firm]

Authorized Signature

(Signature(s) must be guaranteed by a broker or other financial institution which is a participant in the Securities Transfer Agent's Medallion Program (STAMP, SEMP, MSP)).

EXHIBIT B

FORM OF REQUISITION (PROCEEDS ACCOUNT/EQUITY ACCOUNT)

BORROWER: CAROLINE ARMS PRESERVATION, LTD.

PROJECT: CAROLINE ARMS APARTMENTS

REQUISITION NO.: _____

In the Amount of \$ _____

TO: The Bank of New York Mellon Trust Company N.A., as trustee

The Borrower hereby requests payments in the following amounts, from the following sources and to be made to the following parties, all as set forth on the Request for Payment attached to this Requisition:

<u>Amount</u>	<u>Source</u>	<u>Payable to:</u>
	[identify name of Account and Fund]	[Borrower's account number] [third party payment/wire instructions must be attached]

Requisition - Contents and Attachments

Borrower's Representations and Warranties
Contractor's Application and Certification for Payment (AIA Form G 702)
Requisitions and Invoices Supporting Application

Representations and Warranties

1. To the Borrower's knowledge, no changes have been made in the Plans and Specifications which require and have not received the prior approval of any Governmental Authority having jurisdiction over the Development or any other parties from whom such approval is required.
2. To the Borrower's knowledge, the rehabilitation and equipping of the Development has been performed in accordance with the Plans and Specifications.
3. Funding of this Requisition shall be in accordance with the terms and provisions of (i) the Loan Agreement dated as of June 1, 2018 (the "Agreement") and (ii) the Trust Indenture dated as of June 1, 2018 with respect to the Bonds (the "Indenture").
4. All monies requisitioned by the Borrower for acquisition and rehabilitation and disbursed by the Trustee under previously approved requisitions have been paid to the Contractor or other contractor or supplier or other party entitled to payment and, to Borrower's best knowledge, all subcontractors, vendors and suppliers; all other funds requisitioned by the Borrower and disbursed by the Trustee under previously approved requisitions have been expended for the purpose for which they were requisitioned.
5. All of the information submitted to the Trustee in connection with this Requisition is true and accurate as of the date of submission.
6. The representations and warranties set forth in the Documents are true and correct as of the date hereof with the same effect as if made on this date unless such representation or warranty relates to a specific time.
7. The Borrower represents and warrants that (i) there has occurred no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default on the part of the Borrower under the terms of the Documents, (ii) except as previously disclosed by the Borrower to the Issuer, the Borrower has not received notice from or been informed by any Governmental Authority of any alleged deficiencies in the work performed to date or any deviation of such work from Plans and Specifications or notice of any assertion of a claim that the Development has not been constructed in accordance with all applicable requirements, and (iii) the Documents are in full force and effect.
8. The Borrower represents and warrants that, following the disbursement by the Trustee of the aggregate amounts requested under these Requisitions, not less than 95% of all amounts paid from proceeds of the Bonds disbursed to the Borrower will have been applied to the payment of Qualified Project Costs and that to the extent that amounts have been applied or drawn incorrectly, such amounts shall be deemed reallocated to Qualified Project Costs as set forth in the Proceeds Certificate of the Borrower delivered upon issuance of the Bonds.

9. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto under the Indenture.

Executed this ____ day of _____, 2017.

BORROWER:

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Name: Bryan Hartnett
Title: President

SELTZER MANAGEMENT GROUP, INC.

By: _____
Name: _____
Title: _____

SUNTRUST BANK

By: _____
Name: _____
Title: _____

Contractor's Application For Payment

Requisitions And Invoices

EXHIBIT C-1

FORM OF REQUISITION

(the Issuer Costs of Issuance)

Bond Issue: Jacksonville Housing Finance Authority
Multifamily Housing Revenue Bonds
(Caroline Arms Apartments), Series 2018

Property Name: Caroline Arms Apartments

Trustee: The Bank of New York Mellon Trust Company, N.A.

Payee: See Schedule A

Amount: See Schedule A

Method of Payment: See Schedule A

Description of Expense: See Schedule A

Fund and Account which
expenses are to be paid
from: See Schedule A

Account Number: See Schedule A

You are hereby instructed to pay the amount above to the payee set forth above by means acceptable to you and such payee.

Very truly yours,

JACKSONVILLE HOUSING FINANCE
AUTHORITY

By: _____
Authorized Officer

Dated: _____

EXHIBIT C-2

FORM OF REQUISITION

(Borrower Costs of Issuance)

JACKSONVILLE HOUSING FINANCE AUTHORITY
Multifamily Housing Revenue Bonds
(Caroline Arms Apartments), Series 2018

Dated: _____

Costs of Issuance Requisition No. ____

TO: The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**") under the Trust Indenture dated as of June 1, 2018, with the Jacksonville Housing Finance Authority (the "**Indenture**").

Terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture.

The undersigned, Authorized Borrower Representative of Caroline Arms Preservation, Ltd. (the "**Borrower**"), hereby certifies to you that he/she is authorized and empowered to submit this requisition to you and that attached hereto as Schedule "A" is a schedule of costs of issuance incurred in connection with the issuance of the above described Bonds, including the names and addresses of the payees and the specific amounts payable to each such payee, and that to the best of the undersigned's information and belief, such amounts are true and correct.

This requisition is being delivered to you in accordance with the referenced Indenture pursuant to which the Bonds were issued. You are hereby instructed to withdraw from Borrower Costs of Issuance Account of the Cost of Issuance Fund created under the Indenture the amounts shown across from each payee listed on Schedule "A" hereto and pay such amounts to each such payee by check delivered by first class mail or by such other means as is acceptable to you and any such payee.

(SIGNATURES APPEAR ON FOLLOWING PAGE)

IN WITNESS WHEREOF, the undersigned has signed this Requisition by and on behalf of the Borrower.

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Name: Bryan Hartnett
Title: President

SELTZER MANAGEMENT GROUP, INC.

By: _____
Name: _____
Title: _____

LOAN AGREEMENT

By and Between

JACKSONVILLE HOUSING FINANCE AUTHORITY,
as Issuer

and

CAROLINE ARMS PRESERVATION, LTD.,
as Borrower

Dated as of June 1, 2018

Relating to:
\$12,800,000
Jacksonville Housing Finance Authority
Multifamily Housing Revenue Bonds
(Caroline Arms Apartments), Series 2018

The interest of the Jacksonville Housing Finance Authority (the "Issuer") in this Loan Agreement has been assigned (except for "Unassigned Rights of the Issuer" defined in the Indenture) pursuant to the Trust Indenture, dated as of the date hereof (the "Indenture"), from the Issuer to The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the "Trustee"), and is subject to the security interest of the Trustee thereunder.

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LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement" or "Loan Agreement") is entered into as of June 1, 2018, between the **JACKSONVILLE HOUSING FINANCE AUTHORITY**, a public body corporate and politic duly organized and existing under the laws of the State of Florida (the "Issuer"), and **CAROLINE ARMS PRESERVATION, LTD.**, a Florida limited partnership (the "Borrower").

WITNESSETH:

WHEREAS, the Florida Housing Finance Authority Law, Part IV, Chapter 159, Florida Statutes, as amended and supplemented from time to time, Chapter 52 Ordinance Code of the City, as amended, Ordinance 2014-185-E of the City, Resolution [_____] of the City, a Resolution of the Issuer adopted on March 21, 2018 and a Resolution of the Issuer adopted on June 18, 2018 (the "Act"), authorizes the Issuer to finance residential developments for persons and families of low and moderate income in the State, including the Development (as defined herein); and

WHEREAS, the Borrower has requested the Issuer to issue its \$[_____] Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the "Bonds"), the proceeds of which will be utilized to make a loan to the Borrower (the "Loan") to finance a portion of the costs of the acquisition, rehabilitation, installation and equipping of a 204-unit multifamily rental housing facility project to be occupied by persons of low, middle or moderate income to be known as Caroline Arms Apartments and to be located in Jacksonville, Duval County, Florida (the "Development"); and

WHEREAS, pursuant to and in accordance with the Act, the Issuer desires to provide funds to finance the acquisition, rehabilitation and equipping of the Development and the payment of certain costs of issuance by issuing the Bonds, pursuant to a Trust Indenture, dated as of June 1, 2018 (the "Indenture"), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., a national banking association, organized and existing under the laws of the United States of America, as trustee (the "Trustee"); and

WHEREAS, the Loan will be evidenced by this Agreement and a Promissory Note, dated the Closing Date (the "Note"), from the Borrower to the Issuer; and

WHEREAS, the parties hereto, intending to be legally bound hereby, and for and in consideration of the premises and the mutual covenants hereinafter contained, do hereby covenant, agree and bind themselves as follows; provided, that any obligation of the Issuer created by or arising out of this Agreement shall never constitute a debt or a pledge of the faith and credit or the taxing power of the Issuer or the State, but shall be payable solely out of the Trust Estate (as defined in the Indenture), anything herein contained to the contrary by implication or otherwise notwithstanding:

ARTICLE I

DEFINITIONS

Section 1.01. **Definitions.** All capitalized, undefined terms used herein shall have the same meanings as used in Article I of the Indenture, except as otherwise defined herein.

Section 1.02. **Uses of Phrases.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Bondholder," "Holder," "Owner," "registered Holder" and "person" shall include the plural as well as the singular number, and the word "person" shall include corporations and associations, including public bodies, as well as persons. Any percentage of Bonds, specified herein for any purpose, is to be figured on the unpaid principal amount thereof then Outstanding. All references herein to specific sections of the Code refer to such sections of the Code and all successor or replacement provisions thereto.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. **Representations, Covenants and Warranties of the Issuer.** The Issuer represents, covenants and warrants that:

(a) The Issuer is a public body corporate and politic duly organized and validly existing under the laws of the State. Under the provisions of the Act and the resolution adopted by the Issuer, the Issuer is authorized to enter into the Issuer Documents and to carry out its obligations thereunder. By proper action of its board, the Issuer has been duly authorized to execute and deliver the Issuer Documents and to issue and sell the Bonds.

(b) The Issuer covenants that it will not pledge the amounts derived from this Agreement other than as contemplated by the Indenture.

(c) The Issuer hereby finds and determines that financing the Development by the issuance of the Bonds will further the public purposes of the Act.

(d) No member or director of the Issuer, nor any other official or employee of the Issuer, has any interest, financial, employment or other, in the Borrower, the Development or in the transactions contemplated hereby.

(e) There is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of the Issuer, threatened against the Issuer by or before any court, governmental agency or public board or body, which (i) affects or questions the existence or the title to office of any member of the Issuer; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of any of the Issuer Documents, or the

issuance, execution or delivery of the Bonds; (iii) affects or questions the validity or enforceability of any of the Issuer Documents or the Bonds; (iv) questions the exclusion from gross income for federal income taxation of interest on the Bonds; or (v) questions the power or authority of the Issuer to perform its obligations under any of the Issuer Documents or the Bonds or to carry out the transactions contemplated by any of the Issuer Documents or the Bonds.

(f) The Issuer makes no representation or warranty, express or implied, that the proceeds of the Bonds will be sufficient to finance the acquisition, rehabilitation and equipping of the Development or that the Development will be adequate or sufficient for the Borrower's intended purposes.

Section 2.02. Representations, Covenants and Warranties of the Borrower and the General Partner. The Borrower and the General Partner represent, covenant and warrant that:

(a) *Good Standing; Single Purpose Covenants.* The Borrower (i) is a limited partnership duly organized and existing in good standing under the laws of the State of Florida, (ii) has the power to own its property and to carry on its business as now being conducted and as contemplated by this Agreement and the Tax Certificates, and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary, including, but not limited to, the State. The Borrower's business and purpose shall consist solely of the ownership, development, operation and management of the Development and such other lawful activities as are incidental, necessary or appropriate thereto. The Borrower shall not incur any indebtedness other than Development indebtedness and normal trade accounts payable in the ordinary course of the Borrower's business, and other than as permitted in the Partnership Agreement. The Borrower shall not assume or guaranty any other person's indebtedness or obligations. The Borrower shall not dissolve or liquidate, in whole or in part, consolidate or merge with or into any other entity or convey, transfer or lease its property and assets substantially as an entirety to any entity. The Borrower shall not institute or consent to any bankruptcy, insolvency or reorganization proceedings with respect to it, consent to the appointment of a receiver or similar official with respect to it, make any assignment for the benefit of its creditors or admit in writing its inability to pay its debts generally as they become due. The Borrower shall: maintain books and records and bank accounts separate from those of any other person; conduct its business in its own name and use separate stationery, invoices and checks; maintain its assets in such a manner that it is not costly or difficult to segregate and identify such assets; observe all organizational formalities and hold itself out to creditors and the public as a legal entity separate and distinct from any other entity; prepare separate tax returns and financial statements, or if part of a consolidated group, then be shown thereon as a separate member of such group; allocate and charge fairly and reasonably any common employee or overhead shared with affiliates; and transact all business with affiliates on

an arm's length basis and pursuant to enforceable agreements. The Borrower shall not commingle its assets or funds with those of any other person.

The General Partner (i) is a duly organized not for profit corporation organized and existing in good standing under the laws of the State of Florida (ii) has the power to own its property and to carry on its business as now being conducted and as contemplated by this Agreement, and the Tax Certificates, and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary, including, but not limited to, the State. The General Partner shall not dissolve or liquidate, in whole or in part, consolidate or merge with or into any other entity or convey, transfer or lease its property and assets substantially as an entirety to any entity. The General Partner shall not, with respect to itself or the Borrower, institute or consent to any bankruptcy, insolvency or reorganization proceedings, consent to the appointment of a receiver or similar official, make or consent to any assignment for the benefit of creditors or admit in writing its or the Borrower's inability to pay debts generally as they become due. The General Partner shall: maintain books and records and bank accounts separate from those of any other person; conduct its business in its own name and use separate stationery, invoices and checks; maintain its assets in such a manner that it is not costly or difficult to segregate and identify such assets; observe all organizational formalities and hold itself out to creditors and the public as a legal entity separate and distinct from any other entity; prepare separate tax returns and financial statements, or if part of a consolidated group, then be shown thereon as a separate member of such group; allocate and charge fairly and reasonably any common employee or overhead shared with affiliates; and transact all business with affiliates on an arm's length basis and pursuant to enforceable agreements. The General Partner shall not commingle its assets or funds with those of any other person.

(b) *Authority.* The Borrower has full power and authority to (i) execute and deliver the Documents to which it is a party and (ii) incur the obligations provided for herein and therein, all of which have been duly authorized by all proper and necessary corporate action. All consents or approvals of any public authority which are required as a condition to the validity of the Documents to which the Borrower is a party have been obtained.

(c) *Binding Agreements.* The Borrower Documents have been properly executed by a duly authorized officer of the General Partner of the Borrower, and constitute valid and legally binding obligations of the Borrower, and are fully enforceable against the Borrower in accordance with their respective terms, subject to bankruptcy, insolvency or other laws affecting creditors' rights generally, and with respect to certain remedies which require, or may require, enforcement by a court of equity, such principles of equity as the court having jurisdiction may impose.

(d) *Litigation.* There is no litigation or proceeding pending or, to the knowledge of the Borrower, threatened in writing against the Borrower or the General Partner before any court or administrative agency which, if determined adversely to the Borrower, will materially adversely affect the Borrower or the Development, or the authority of the Borrower to enter into or perform under the Borrower Documents or which in any way would adversely affect the validity or enforceability of the Bonds or the Documents.

(e) *Conflicts; Defaults.* There is (i) no provision of the Borrower's organizational documents or the organizational documents of the General Partner, or resolutions of the Borrower and no provision of any existing mortgage, indenture, contract or agreement binding on the Borrower or the General Partner or affecting any of the Borrower's property and (ii) to the Borrower's or the General Partner's knowledge, no provision of law or order of court binding upon the Borrower or the General Partner or affecting any of the Borrower's property, in each case which would conflict with or in any way prevent the execution, delivery, or performance of the terms of the Borrower Documents and the other financing documents and regulatory agreements to be entered into at closing in connection with this transaction, or which would be in default or violated as a result of such execution, delivery or performance. The Borrower is not in material default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which it is a party.

(f) *Title to Development.* The Borrower has or will have on the Closing Date a fee simple interest in the land constituting the site of the Development free and clear of any liens or encumbrances, other than those encumbrances set forth on Schedule B-II of the Title Commitment File No. [_____] issued by Fidelity National Title Insurance Company. The Borrower is the sole borrower under the Loan.

(g) *Indenture.* The Indenture has been submitted to the Borrower for its examination, and the Borrower acknowledges, by execution of this Agreement, that it has reviewed the Indenture, and it hereby approves the Indenture. The Borrower agrees to perform fully and faithfully all the duties and obligations which the Issuer has covenanted and agreed to in the Indenture to cause the Borrower to perform and any duties and obligations which the Borrower or the Issuer is required by the Indenture to perform. The foregoing shall not apply to any duty or undertaking of the Issuer which by its nature cannot be delegated or assigned.

(h) *Events Affecting Tax Exemption.* The Borrower has not taken or permitted to be taken any action that would impair the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds, and the Borrower has never been advised that the interest is or will be subject to inclusion in gross income. As of the Closing Date, the Borrower is in compliance with all requirements contained in the Tax Certificates, and the representations set forth in the Tax Certificates pertaining to the

Borrower and the Development are true and accurate in all material respects. Notwithstanding the above, if the Borrower becomes aware of any situation, event or condition which would result in the interest on the Bonds being included in gross income for federal income tax purposes, the Borrower shall promptly give written notice thereof to the Issuer and the Trustee.

(i) *Compliance with Laws and Documents.* The Development is of the type authorized and permitted by the Act and will, from the Closing Date forward, be operated in compliance with the provisions of the Act and the provisions of the Code applicable thereto. The Borrower will use due diligence to cause the Development to be operated in accordance with the Act and all other applicable laws, rulings, regulations and ordinances of any applicable Governmental Authority and the departments, agencies and political subdivisions thereof. The Borrower has obtained or will cause to be obtained all requisite approvals of the Issuer and of any applicable Governmental Authority or other federal and local governmental bodies required for the operation of the Development.

Compliance by the Borrower with the provisions of the Bond Documents and the Borrower Documents will not involve, to the extent applicable, any prohibited transaction within the meaning of the Employee Retirement Income Security Act of 1974, as amended (sometimes referred to in this subparagraph 2.02(i) as "ERISA"), or Section 4975 of the Code. No "employee pension benefit plans", that are subject to Title IV of ERISA (sometimes referred to in this subparagraph 2.02(i) as "Plans"), maintained by the Borrower, nor any trust created thereunder, have incurred any "accumulated funding deficiency" as defined in Section 302 of ERISA, to the extent applicable and the present value of all benefits vested under all Plans, if any, did not exceed, as of the last annual valuation date, the value of the assets of the Plans allocable to such vested benefits.

The Borrower intends to cause the residential units in the Development to be rented or available for rental on a basis, which satisfies the requirements of the Land Use Restriction Agreement, including all applicable requirements of the Act and the Code, and pursuant to leases, which comply with all applicable laws. The Borrower will timely file the Income Certification in the form attached as Exhibit D hereto, the Certificate of Continuing Program Compliance in the form attached as Exhibit E hereto and the program report with the Issuer or the Issuer Servicer as required by the Land Use Restriction Agreement.

The Borrower shall, through the term of this Agreement and at no expense to the Issuer, promptly comply or cause compliance with all applicable laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be applicable to the Development or to the repair and alteration thereof, or to the use or manner of use of the Development, including, but not limited to, the Americans with Disabilities Act, Florida Accessibility Code for Building Construction, all Federal,

State and local environmental, health and safety laws, rules, regulations and orders applicable to or pertaining to the Development and Federal Worker Adjustment and Retraining Notification Act.

(j) *No Material Misstatements.* The representations and warranties of the Borrower contained in the Borrower Documents (including, without limitation, any information furnished by the Borrower in connection with the preparation of any materials related to the issuance or delivery of the Bonds on the Closing Date), contain no material misstatement of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The representations and warranties of the Borrower and the statements, information and descriptions contained in the Borrower's closing certificates, as of the Closing Date, are true, correct and complete in all material respects, do not contain any untrue statement or misleading statement of material fact, and do not omit to state a material fact necessary to make the certifications, representations, warranties, statements, information and descriptions contained therein, in light of the circumstances under which they were made, not misleading. The estimates and assumptions contained in this Agreement and in any certificate of the Borrower delivered as of the Closing Date are reasonable and based on the most accurate information available to the Borrower.

The information used in the preparation of the financial statements of the Borrower, the Borrower Documents and any other written statement furnished by the Borrower to the Issuer (including the descriptions and information contained in the Official Statement relating to (i) the Borrower and the Development, (ii) the operations and financial and other affairs of the Borrower, (iii) the application by the Borrower of the proceeds to be received by it from the Loan, and (iv) the participation by the Borrower in the transactions contemplated in this Loan Agreement and in the Official Statement, including, without limitation, the information relating to the Borrower in the Official Statement under the caption "Certain Bondholders' Risks"), do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading. There is no fact which the Borrower has not disclosed to the Issuer in writing which materially adversely affects or, so far as the Borrower can now foresee, will materially adversely affect the financial condition of the Borrower, the ability of the Borrower to own and operate the Development or the Borrower's ability to make payments on the Note when and as the same become due and payable.

(k) *Interest of Member or Agent of the Issuer.* To the knowledge of the Borrower, no member or agent of the Issuer has been or is in any manner interested, directly or indirectly, in that person's own name or in the name of any other persons, in the loan of the Bond proceeds, the Bonds, the Documents, the Borrower or the Development, in any contract for property or materials to be furnished or used in connection with the Development, or in any aspect of the transactions contemplated by

the Documents. There (i) is no completed, pending or threatened bankruptcy, reorganization, receivership, insolvency or like proceeding, whether voluntary or involuntary, affecting the Development, the Borrower or the General Partner, and (ii) has been no assertion or exercise of jurisdiction over the Development, the Borrower or the General Partner by any court empowered to exercise bankruptcy powers.

(l) *Arbitrage Bonds.* No money on deposit or to be deposited in any fund or account in connection with the Bonds, whether or not such money was or is to be derived from other sources, has been or will be used by or under the direction of the Borrower in any manner which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(m) *Tax Returns.* The Borrower has filed or caused to be filed all required tax returns (including any federal, state or local tax returns, if required) and has paid all taxes as shown on such returns as such taxes have become due. No claims have been assessed and are unpaid with respect to such taxes.

(n) *No Reliance on the Issuer.* The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Development; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which it or the Issuer is a party or of which it is a beneficiary; that it understands the risks inherent in such transactions, including without limitation the risk of loss of the Development; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds.

(o) *Fees.* The Borrower shall pay all fees as provided under the Note and in this Agreement, when due and payable without demand pursuant to Section 4.03 herein.

(p) *Name of Borrower.* The Borrower filed its Certificate of Limited Partnership with the State of Florida under the name of Caroline Arms Preservation, Ltd.

(q) *Governmental Requirements.* To the Borrower’s knowledge, no violation of any Governmental Requirement exists with respect to the Development, the Borrower, or any other asset of the Borrower, the Development conforms in all material respects with all applicable zoning, planning, building and environmental laws, ordinances and regulations of Governmental Authorities having jurisdiction over the Development, all necessary utilities are or will be available to the Development, and the Borrower has obtained or will obtain all requisite zoning approvals necessary with respect to the Development.

(r) *Condemnation.* No condemnation, eminent domain or similar proceeding is pending, or to the knowledge of the Borrower, threatened in writing, with respect to the Development or any portion thereof.

(s) *Governmental Approvals.* The Borrower has obtained, or will obtain and there are currently in full force and effect, or will be in full force and effect, all consents, and permits, licenses, accreditations, certifications and other approvals (governmental or otherwise) that:

(i) would constitute a condition precedent to, or the absence of which would materially adversely affect, the enforceability of and the performance by the Borrower of its obligations hereunder; and

(ii) are necessary for the acquisition, rehabilitation, equipping, financing and operation of the Development.

(t) *No Cease and Desist.* The Borrower is not presently under any cease or desist order or other orders of a similar nature, temporary or permanent, of any federal or state authority which would have the effect of preventing or hindering performance of its duties hereunder, nor are there any proceedings presently in progress or to its knowledge contemplated which would, if successful, lead to the issuance of any such order.

(u) *Acknowledgment of Nature of Development.* The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Development; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which it or the Issuer is a party or of which it is a beneficiary; that it understands the risks inherent in such transactions, including, without limitation, the risk of loss of the Development; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Agreement and the Indenture or otherwise relied on the Issuer in any manner.

(v) *Average Maturity.* The average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the facilities of the Development.

(w) *Federally Guaranteed.* The Bonds are not and shall not be “federally guaranteed” as defined in Section 149(b) of the Code.

(x) *No Intent of Sale of Development.* The Borrower intends to hold the Development for its own account and has no current plans to sell and has not entered into any agreement to sell any of the Development.

(y) *Notification of Default.* The Borrower agrees to immediately notify the Trustee and the Issuer in writing of any Default, or any event which with notice or the passage of time would constitute a Default.

(z) *Payment of Real Estate Taxes and Maintenance of Insurance.* The Borrower will promptly cause to be paid all real estate taxes, assessments or other levies assessed on the Development and all premiums for insurance policies required to be maintained for the Development. Borrower shall, at all times during the term of the Loan, maintain at its sole cost and expense, for the mutual benefit of Borrower, Lender and the Trustee, all of the insurance specified in the Security Agreement, as required by Lender and the Issuer and applicable law, and in such amounts and with such maximum deductibles as Lender and the Issuer may require, as those requirements may change.

(aa) *Application of Disbursements.* The full amount of each disbursement will be applied to pay or to reimburse the Borrower for the payment of Qualified Project Costs and, after taking into account any proposed disbursement, (i) at least 95% of the net proceeds of the Bonds (as defined in Section 150 of the Code) will be used to provide a qualified residential rental project (as defined in Section 142(d) of the Code) and (ii) less than 25% of the net proceeds of the Bonds will have been disbursed to pay or to reimburse the Borrower for the cost of acquiring land; none of the proceeds of the Bonds (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital.

(bb) *Lease or Use of Development.* In connection with any lease or grant by the Borrower of the use of the Development, the Borrower will require that the lessee or user of any portion of the Development not use that portion of the Development in any manner which would violate the covenants set forth in this Agreement or the Land Use Restriction Agreement.

(cc) *Proceeds of Bonds.* No proceeds of the Bonds shall be used for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property is pursuant to such acquisition; provided, however that this limitation shall not apply with respect to any building (and the equipment therefor) if rehabilitation expenditures (as defined in Section 147(d) of the Code) with respect to such building equal or exceed 15 percent of the portion of the cost of acquiring such building (and equipment) financed with the proceeds; and provided further that this limitation shall not apply with respect to any structure other than a building if rehabilitation expenditures with respect to such structure equal or exceed 100 percent of the portion of the cost of acquiring such structure financed with the proceeds.

(dd) *Costs of Issuance Paid from Proceeds.* From the proceeds of the Bonds and investment earnings thereon, an amount not in excess of two percent (2%) of the

proceeds of the Bonds, will be used for Costs of Issuance of the Bonds, all within the meaning of Section 147(g)(1) of the Code.

(ee) *Ineligible Use of Proceeds.* No proceeds of the Bonds shall be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility (other than a workout facility functionally related to the Development and available to all residents at no additional charge), facility used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(ff) *Non-Discrimination.* The Borrower has not and shall not discriminate on the basis of race, creed, religion, color, sex, marital status, age or national origin in the lease, use, or occupancy of the Development or in connection with the employment or application for employment of Persons for the operation and management of the Development. The Borrower specifically agrees that the Borrower will not refuse to lease units in the Development to persons whose family includes minor dependents who will occupy such unit, unless such refusal is based upon factors not related to the presence of such minors in the family, which factors may include, but shall not be limited to, negative credit, rental history or potential overcrowding of a unit.

(gg) The Borrower is in compliance, in all material respects, with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001). No part of the proceeds of the Bond will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

ARTICLE III

REHABILITATION OF THE DEVELOPMENT; ISSUANCE OF THE BONDS

Section 3.01. **Agreement for Rehabilitation of the Development.**

(a) The Borrower agrees to make or cause to be made all contracts and do all things necessary for the acquisition, rehabilitation and equipping of the Development. The Borrower further agrees that it will acquire and rehabilitate the Development in accordance with approved Plans and Specifications and the Credit Underwriting Report with all reasonable dispatch and use its best efforts to cause acquisition, rehabilitation and equipping of the Development to be completed by the Completion Date, or as soon

thereafter as may be practicable, delays caused by force majeure as defined in Section 7.01 hereof only excepted; but if for any reason such acquisition, rehabilitation and equipping is not completed by said Completion Date, there shall be no resulting liability on the part of the Borrower or the Issuer and no diminution in or postponement of the payments required in Section 4.02 hereof to be paid by the Borrower.

(b) The Borrower shall cause the Development to be maintained in good, habitable and safe (so as to not threaten the health or safety of the Development's tenants or their invited guests) condition and repair (reasonable wear and tear excepted) and shall not remove, demolish or materially alter the improvements to the Development (except for the performance of the rehabilitation work comprising the Development or removal of aging or obsolete equipment or furnishings in the normal course of business). After completion of repairs, no structural or other material defect or damages to the Development will exist, whether latent or otherwise.

Section 3.02. Agreement to Issue, Sell and Deliver the Bonds; Deposit of Bond Proceeds. In order to provide funds for the payment of the Qualified Project Costs, the Issuer, concurrently with the execution of this Agreement, will issue, sell and deliver the Bonds and deposit the proceeds thereof with the Trustee, which amounts shall be immediately deposited into the Project Fund.

Section 3.03. Disbursements from the Project Fund. In the Indenture, the Issuer has authorized and directed the Trustee to make disbursements from the Project Fund to pay Costs of the Development in the manner consistent with the Tax Certificates. The Trustee shall make disbursements from the Project Fund as provided in the Indenture, and pursuant to the closing memorandum or upon receipt of a Requisition in substantially the form attached to the Indenture as Exhibit B and with respect to an approved advance in accordance with the Lender Loan Documents. The Borrower agrees that the moneys transferred by the Trustee from the Project Fund to the Reserve Fund established under the Security Agreement shall only be disbursed from the Reserve Fund for Qualified Project Costs as permitted by the Tax Certificates.

Section 3.04. Furnishing Documents to the Trustee. The Borrower agrees to cause such Requisitions to be directed to the Trustee as may be necessary to effect payments out of the Project Fund in accordance with Section 3.03 hereof.

Section 3.05. Establishment of Completion Date.

(a) The Borrower shall evidence completion of the Development and the actual date of completion to the Issuer and the Trustee by an executed Completion Certificate and compliance with the requirements of the Servicing Agreement. The Completion Certificate shall be executed by the Borrower and shall state to the best information and belief of the Borrower, after due inquiry, that rehabilitation of the Development has been completed in material compliance with all applicable laws,

regulations and agreements, and all costs of labor, services, materials and supplies used in the Development have been paid, all equipment necessary for the operation of the Development has been purchased, installed and paid for, is suitable and sufficient for its intended purposes, and is fully operable, all costs and expenses incurred in connection with the Development have been paid except for amounts not yet due and payable or being diligently contested in good faith by the Borrower, and the Development is suitable and sufficient for its intended purposes. The Completion Certificate shall include a table of sources and uses showing the final allocation for all sources of funding for the Development, a confirmation of compliance with clause (b) below and with the tax covenants contained herein and in the documents delivered in connection with the issuance of the Bonds. Notwithstanding the foregoing, the Completion Certificate shall further state that it is given without prejudice to any rights of the Borrower against third parties which exist at the date of the Completion Certificate or which may subsequently come into being. The Completion Certificate shall be furnished by the Borrower to the Issuer and the Trustee promptly following the completion of the Development.

(b) At least ninety five percent (95%) of the Net Proceeds of the Bonds will be used from the Project Fund or the Reserve Fund to pay Qualified Project Costs.

Section 3.06. Borrower Required to Pay in Event Project Fund Insufficient. In the event the moneys in the Project Fund available for payment of the Costs of the Development are not sufficient to pay the Costs of the Development in full, the Borrower agrees to complete the Development and to pay that portion of the Costs of the Development in excess of the moneys available therefor in the Project Fund. The Issuer does not make any warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the Costs of the Development will be sufficient to pay all of the Costs of the Development. The Borrower agrees that if after exhaustion of the moneys in the Project Fund, the Borrower should pay any portion of the Costs of the Development pursuant to the provisions of this Section, the Borrower shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Bonds, nor shall the Borrower be entitled to any diminution of the amounts payable under this Agreement. Notwithstanding the foregoing, the terms, conditions and covenants of this Section 3.06 do not in any way affect the ability of the Issuer to pursue its rights and remedies under the Guarantor Documents.

Section 3.07. Special Arbitrage Certifications. The Borrower and the Issuer covenant, severally, and not jointly, (i) not to take any action or fail to take any action which would cause the interest on any of the Bonds to be or become includable in the gross income of the Holders for federal income tax purposes and (ii) not to cause or direct any moneys on deposit in any fund or account to be used in a manner that would cause the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code. The Borrower certifies and covenants to and for the benefit of the Issuer and the Holders of the Bonds that so long as there are any Bonds Outstanding, moneys on deposit in any fund or account in connection with the Bonds, whether such moneys were derived from the proceeds of the sale of the Bonds or from any

other sources, will not be used in a manner that will cause the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code.

Section 3.08. Rebate Calculations and Payments. Within twenty (20) days after payment in full of the Bonds, the Borrower shall cause the Rebate Analyst to calculate the Rebate Requirement as of the date of such payment and the Rebate Analyst shall notify the Trustee and the Borrower of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the Rebate Requirement (taking into account the amount or amounts, if any, previously paid to the United States), the Borrower shall, within thirty (30) days after the date of the aforesaid calculation, deposit or cause to be deposited to the credit of the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Rebate Requirement. The obligation of the Borrower to make or cause to be made such payments shall remain in effect and be binding upon the Borrower notwithstanding the release and discharge of the Indenture or the termination of this Agreement. The Borrower shall obtain such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code and shall retain such records for at least six (6) years after the maturity or retirement of the Bonds.

Section 3.09. Rebate Analyst. In accordance with Section 3.08 hereof, the Rebate Analyst shall perform any calculations required under Section 5.01 of the Indenture at the sole expense of the Borrower (such expense to be paid out of the portion of the Issuer Fee constituting the Program Fee). The Rebate Analyst shall be selected by the Issuer as provided in the Indenture. The Borrower further covenants that, during the term of the Bonds, in the event the Borrower sells or otherwise disposes of the Development, it will require that the transferee execute a covenant similar to that in this Section in the sale or other documents concerning the disposition and will require such transferee to include such a covenant in future transfer documents. The special covenants of the Borrower in this Section shall survive the defeasance or payment in full of the Bonds notwithstanding any other provision of this Agreement until the requirements for payment of any Rebate Requirement has been fully satisfied.

Section 3.10. Remarketing of Bonds. The Borrower is hereby granted the right to request a remarketing of the Bonds in the manner and to the extent set forth in Section 3.07 of the Indenture and, in consultation with the Remarketing Agent, designate the length of the remarketing period and the related Mandatory Tender Date in the manner and to the extent set forth in Sections 3.05 and 3.07 of the Indenture.

ARTICLE IV

LOAN PROVISIONS

Section 4.01. Loan of Proceeds. The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds. Such proceeds shall be disbursed to or on behalf of the Borrower as provided in Section 3.03 hereof.

Section 4.02. **Amounts Payable.**

(a) (i) On or prior to the Closing Date, the Borrower shall deliver or cause to be delivered the Capitalized Interest Deposit to the Trustee for deposit to the Capitalized Interest Account.

(ii) The Borrower hereby covenants and agrees to repay the Loan on or before any date that any payment of interest or principal is required to be made in respect of the Bonds pursuant to the Indenture, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, in immediately available funds, a sum which, together with any other moneys available for such payment in the Capitalized Interest Account and the Collateral Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or acceleration or otherwise) and interest on the Bonds as provided in the Indenture. Deposits into the Bond Fund for payments by the Trustee of principal and interest on the Bonds from amounts in the Capitalized Interest Account or the Collateral Fund shall be credited against the Borrower's obligation to pay principal and interest on the Loan.

It is understood and agreed that all payments of principal and interest payable by the Borrower under subsection (a) of this Section 4.02 are assigned by the Issuer in accordance with the terms of the Indenture to the Trustee for the benefit of the Holders of the Bonds (excluding amounts on deposit in the Rebate Fund). The Borrower consents to such assignment.

(b) In the event the Borrower should fail to make any of the payments required in this Section 4.02, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due, at the rate of interest borne by the Bonds.

Section 4.03. **Fees and Expenses.** The Borrower agrees to pay, when due, the Issuer Fee, the Trustee's Fee, the Issuer Servicer Fee, the fees of the Rebate Analyst Fee in the manner provided in Section 3.09 hereof and any and all other costs or expenses at any time incurred by the Issuer, the Trustee, the Issuer Servicer, the Dissemination Agent or the Rebate Analyst (including the reasonable fees and expenses of their counsel actually incurred) in connection with the issuance, sale and delivery of the Bonds and the performance of their duties in connection with the transactions contemplated hereby, including, without limitation, all costs of recording and filing. The Borrower will also pay any reasonable expenses actually incurred in connection with any redemption of the Bonds. Specifically, and without limiting the foregoing, the Borrower agrees to pay to and indemnify any Issuer Indemnified Party (as defined below), the Trustee or any payee designated by the Issuer, within 30 days after receipt of request for

payment thereof, all reasonable expenses of the Issuer and the Trustee actually incurred and related to the Development and the financing thereof which are not paid from the funds held under the Indenture, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Development or the Bonds or in connection with questions or other matters arising under such documents.

The obligations of the Borrower under this Section shall survive the termination of this Loan Agreement and the payment and performance of all of the other obligations of the Borrower hereunder and under the other Borrower Documents.

Section 4.04. Obligations of the Borrower Unconditional. The obligations of the Borrower to make the payments required under this Agreement, and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, irrespective of any defense or any right of notice, setoff, recoupment or counterclaim it might otherwise have against the Issuer, the Trustee or any other person. Subject to termination as provided herein, the Borrower (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for under this Agreement, (ii) will perform and observe all of its other agreements contained in this Agreement and the other Documents and (iii) will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Development, commercial frustration of purpose, or change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State or any political subdivision of either, any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Agreement, whether express or implied, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, whether express or implied.

Section 4.05. Optional Prepayment. The Loan is not subject to prepayment prior to the Mandatory Tender Date. On and after the Mandatory Tender Date, the Loan may be prepaid by the Borrower in whole but not in part on any Business Day determined by the Borrower in consultation with the Remarketing Agent in accordance with Section 3.01 of the Indenture, without penalty. In order to prepay the Loan, the Borrower shall give the Trustee and the Issuer written notice at least twenty-five (25) days prior to the prepayment date to effect an optional redemption of the Bonds pursuant to Section 3.01 of the Indenture.

ARTICLE V

SPECIAL COVENANTS

Section 5.01. No Warranty of Condition or Suitability by the Issuer. THE BORROWER RECOGNIZES, ACKNOWLEDGES AND AGREES THAT THE ISSUER MAKES

NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE DEVELOPMENT OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, CONDITION, WORKMANSHIP, OR FITNESS, SUITABILITY OR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF. THE BORROWER FURTHER RECOGNIZES THAT THE ISSUER HAS NO TITLE INTEREST TO ANY PART OF THE DEVELOPMENT AND THAT THE ISSUER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND AS TO THE BORROWER'S TITLE THERETO OR OWNERSHIP THEREOF OR OTHERWISE, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE DEVELOPMENT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THESE PROVISIONS HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE DEVELOPMENT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OF THE STATE OF FLORIDA OR ANOTHER LAW NOW OR HEREAFTER IN EFFECT OR OTHERWISE.

Section 5.02. **Access to the Development.** The Borrower agrees that the Issuer, the Trustee and their duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right to inspect the Development and the rehabilitation thereof at all reasonable times upon reasonable notice. The Borrower acknowledges that the Issuer Servicer shall monitor the rehabilitation of the Development. The Issuer, the Trustee, the Issuer Servicer and their duly authorized agents shall also be permitted, at all reasonable times and upon reasonable notice, to examine the books, accounts, contracts, documents, and other papers of the Borrower with respect to the Development which shall all be maintained by the Borrower in reasonable condition and for audit.

Section 5.03. **Further Assurances and Corrective Instruments.** The Borrower agrees that it will, and will request the Issuer to, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Agreement.

Section 5.04. **Issuer and Borrower Representatives.** Whenever under the provisions of this Agreement the approval of the Issuer or the Borrower is required or the Issuer or the Borrower is required to take some action at the request of the other, such approval or such request shall be given in writing both for the Issuer by an authorized representative of the Issuer and for the Borrower by a Borrower Representative. The Trustee shall be authorized to act on any such approval or request pursuant to the Indenture.

Section 5.05. **Financing Statements.** The Borrower shall file, or shall cause to be filed, and shall deliver copies to the Trustee of any and all financing statements, or any amendments thereof or continuation statements thereto, to perfect the security interests granted in the Indenture, in the manner prescribed in the Indenture. The Borrower shall pay all costs of filing such instruments and any fees and expenses (including reasonable attorney's fees) associated therewith.

Section 5.06. **Certain Deposits with the Trustee.** In connection with the issuance of the Bonds, certain moneys may be deposited with the Trustee before the closing date pursuant to one or more letters of instruction from the provider or providers of such moneys. Such moneys will be held by the Trustee subject to the terms and conditions of the Indenture in addition to terms provided in such letter(s) of instruction. For such purpose the standards of care, provisions regarding responsibilities and indemnification and other sections relating to the Trustee contained in the Indenture and this Agreement (the "Effective Provisions") shall be effective as of the first date of receipt by the Trustee of such moneys. The Effective Provisions shall be deemed incorporated into such letter(s) of instructions.

Section 5.07. **Restriction on Plans and Specifications.** The Borrower will not cause, permit or suffer to exist any material deviations from the Plans and Specifications and will not approve or consent to any construction change directive without the prior approval of the Issuer Servicer.

Section 5.08. **Requisitions.**

(a) On the Closing Date, the Borrower shall complete, execute and deliver to the Trustee a Requisition for disbursement of amounts on deposit in the Project Fund to the Borrower to pay Costs of the Development. Each Requisition shall be signed on behalf of the Borrower and approved by the Issuer Servicer, shall be in the form set forth on Exhibit B to the Indenture and shall conform to all requirements of the Servicing Agreement. Each Requisition for amounts on deposit in the Project Fund shall state: (1) the number of the Requisition, (2) the amount to be disbursed and the sources of such disbursement, (3) that each obligation described therein is a Cost of the Development, has been properly incurred and has not been the basis for any previous disbursement, and (4) that the expenditure of such disbursement when added to all previous disbursements will result in not less than 95% of all disbursements from proceeds of the Bonds having been used to pay or reimburse the Borrower for Qualified Project Costs. The Borrower shall submit the Requisitions to the Trustee for payment. Approved Requisitions may be submitted to the Trustee by electronic means and shall not include accompanying supporting materials.

(b) The amounts deposited into the Project Fund may be disbursed by the Trustee only in accordance with Section 6.02 of the Indenture, including delivery of the closing memorandum and/or a written Requisition of the Borrower satisfying the requirements of this Section 5.08 and Section 6.02 of the Indenture.

(c) On the Closing Date, the Borrower shall complete, execute and deliver to the Trustee a Requisition for disbursement of amounts on deposit in the Borrower Costs of Issuance Account to pay Costs of Issuance. Each Requisition shall be signed on behalf of the Borrower and approved by the Issuer Servicer, and shall be in the form set forth on Exhibit C-2 to the Indenture.

Section 5.09. **Covenant with Bondholders.** The Issuer and the Borrower agree that this Agreement is executed and delivered in part to induce the purchase by others of the Bonds and, accordingly, all covenants and agreements of the Issuer and the Borrower contained in this Agreement are hereby declared to be for the benefit of the Trustee and the Holders of the Bonds from time to time. Notwithstanding the foregoing, the Bondholder's rights to enforce this provision of this Agreement are governed by the terms of the Indenture.

Section 5.10. **Covenant to Provide Ongoing Disclosure.** The Borrower shall enter into a written undertaking for the benefit of the Holders to provide for the continuing disclosure of information about the Bonds, the Borrower and other matters as may be required to cause compliance with the Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). Failure of the Borrower to comply with the Rule shall not be a default under the Indenture, this Loan Agreement or any of the other Bond Documents; provided, however, the Borrower acknowledges that the Issuer, the Trustee or any Bondholder shall be entitled to bring an action for specific performance to cause the Borrower to comply with the covenant set forth in this section.

Section 5.11. **Borrower Receipt of Insurance or Condemnation Proceeds.** In the event the Borrower receives any proceeds of insurance or any condemnation awards with respect to the Development from a party other than the Trustee, the Borrower shall promptly upon receipt remit all such insurance proceeds or condemnation awards to the Lender for deposit and application in accordance with the Security Agreement.

Section 5.12. **Reporting Requirements of the Borrower.** The Borrower will furnish to the Issuer and agencies of the State such periodic reports or statements as are required under the Act, or as such agencies may otherwise reasonably require of the Issuer or Borrower throughout the term of this Agreement.

Pursuant to Florida Statutes, Section 119.0701(2), the Borrower is required to comply with public records laws, specifically to:

(a) Keep and maintain public records (as defined in Florida Statutes, Section 119.011) that ordinarily and necessarily would be required by the Issuer in order to perform the service.

(b) Provide the public with access to public records on the same terms and conditions that the Issuer would provide the records and at a cost that does not exceed the cost provided by Florida Statutes, Chapter 119, or as otherwise provided by law.

(c) Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law.

(d) Meet all requirements for retaining public records and transfer, at no cost, to the Issuer all public records in possession of the Trustee upon termination of this Indenture and destroy any duplicate public records that are confidential or otherwise exempt from public records disclosure requirements. All records stored electronically must be provided to the Issuer in a format that is compatible with the information technology systems of the Issuer.

Section 5.13. **Indenture.** The provisions of the Indenture concerning the Bonds and other matters therein are an integral part of the terms and conditions of the Loan, and this Agreement shall constitute conclusive evidence of approval of the Indenture by the Borrower to the extent it relates to the Borrower. Additionally, the Borrower agrees that, whenever the Indenture by its terms imposes a duty or obligation upon the Borrower, such duty or obligation shall be binding upon the Borrower to the same extent as if the Borrower were an express party to the Indenture, and the Borrower agrees to carry out and perform all of its obligations under the Indenture as fully as if the Borrower were a party to the Indenture.

Section 5.14. **Financial Information.** The Borrower agrees that it will have the books and records of the Borrower audited annually by an independent certified public accountant as soon as practicable after the close of each fiscal year of the Borrower, and will furnish within 120 days after the end of each fiscal year to the Issuer and the Trustee commencing in the fiscal year in which the rehabilitation of the Development is complete a copy of the audit report certified by such Accountant and prepared in accordance with generally accepted accounting principles, which report shall include calculations of the availability of funds for distributions and disclose the amount of General Partner and other partner distributions for the preceding year. The Borrower and the Issuer acknowledge that the Trustee shall have no obligations under this Section 5.14 other than to receive such statements and, if requested, to furnish such statements to Bondholders.

Section 5.15. **Tax Credit Requirement.** Notwithstanding anything to the contrary set forth in the Documents, including, without limitation, IRS Form 8038 completed at the time of issuance of the Bonds, all of the Bond proceeds shall, for federal income tax purposes, be (1) allocated on a pro rata basis to each building in the Development, and (2) used exclusively to pay costs of acquisition, rehabilitation and equipping of the Development which are includable in the aggregate basis of any building and the land on which the building is located ("Eligible Costs") in a manner such that each building satisfies the requirement of Section 42(h)(4)(B) of the Code. [Accordingly, no Bond proceeds will be used to pay any of the Costs of Issuance for the Bonds or to fund any reserve account other than the Project Fund or an account to be used to pay Eligible Costs.] The Issuer, the Trustee and the Borrower each acknowledge that the Borrower intends to cause the Development to satisfy the requirements necessary for low-income housing tax credit ("Tax Credit") pursuant to Section 42 of the Code. In the event

that any of the restrictions described in this Agreement conflict with any Tax Credit requirements imposed by Section 42 of the Code or any Tax Credit requirements imposed by the Issuer, the Trustee and the Borrower each agree that the more restrictive requirements shall control. The provisions of this Section 5.15 are for the benefit of the Borrower and neither the Trustee nor the Issuer shall have any obligation to enforce this Section 5.15 nor shall they incur any liability to any Person, including without limitation, the Borrower, the General Partner and any other affiliate of the Borrower or the Holders of the Bonds for any failure to meet the requirements of this Section 5.15; and provided further, failure to comply with this Section 5.15 shall not constitute a default or Event of Default under this Agreement.

Section 5.16. Brokers and Financial Advisors. The Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with this Loan, other than those disclosed to the Issuer and the Lender and whose fees shall be paid by the Borrower pursuant to a separate agreement. The Borrower and the Lender shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs and expenses of any kind in a way relating to or arising from a claim by any person that such person acted on behalf of the indemnifying party in connection with the transactions contemplated herein. The provisions of this Section 5.16 shall survive the expiration and termination of this Agreement and the repayment of the Borrower's Obligations.

Section 5.17. Trial by Jury. The Borrower hereby agrees not to elect a trial by jury of any issue triable of right by a jury, and waives any right to trial by jury fully to the extent that any such right shall hereafter exist with regard to the Documents, or any claim, counterclaim or other action arising in connection therewith. This waiver of right to trial by jury is given knowingly and voluntarily by the Borrower, and is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue. The Trustee is hereby authorized to file a copy of this paragraph in any proceeding as conclusive evidence of this waiver by the Borrower. This Section in no way affects the right of the Issuer to elect a trial by jury.

Section 5.18. Issuer, Trustee and Lender Not in Control; No Partnership. None of the covenants or other provisions contain in this Loan Agreement shall, or shall be deemed to, give the Issuer, the Trustee or the Lender the right or power to exercise control over the affairs or management of the Borrower, the power of the Issuer, the Trustee and the Lender being limited to the rights to exercise the remedies referred to in the Documents. The relationship between the Borrower and the Issuer, the Trustee, the Lender and the Bondholders is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Documents is intended, nor shall be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between the Borrower and the Issuer, the Trustee, the Lender or any Bondholder or to create an equity interest in the Development in the Issuer, the Trustee, the Lender or any Bondholder. Neither the Issuer, the Trustee, the Lender nor any Bondholder undertakes or assumes any responsibility or duty to the Borrower or to any other person with respect to the Development, except as expressly provided in the Documents; and notwithstanding any other provision of the Documents: (1) the Issuer, the Trustee and the

Bondholders are not, and shall not be construed as, a partner, joint venture, alter ego, manager, controlling person or other business associate or participant of any kind of the Borrower or its stockholders, members or partners and the Issuer, the Trustee and the Bondholders do not intend to ever assume such status; (2) the Issuer, the Trustee and the Bondholders shall in no event be liable for any of the Borrower's Obligations, expenses or losses incurred or sustained by the Borrower; and (3) the Issuer, the Trustee and the Bondholders shall not be deemed responsible for or a participant in any acts, omissions or decision to the Borrower or its stockholders, members or partners. The Issuer, the Trustee, the Bondholders and the Borrower disclaim any intention to create a partnership, joint venture, agency or common interest in profits or income between the Issuer, the Trustee, the Bondholders and the Borrower or to create an equity an equity interest in the Development of the Issuer, the Trustee or the Bondholders, or any sharing of liabilities, losses, costs or expenses.

ARTICLE VI

RESTRICTION ON TRANSFER; ASSIGNMENT, SELLING, LEASING; INDEMNIFICATION

Section 6.01. Restriction on Transfer.

(a) In the event the Borrower intends to sell, lease (except to the tenants who will occupy units in the Development), sublease or otherwise materially encumber the whole of or any part of the Development or sell, assign or otherwise, except as otherwise provided herein, transfer any interest in the Borrower except as otherwise provided in Section 6.01(e) hereof (a "transfer"), it shall (i) apply to the Issuer for consent to transfer, provided that consent of the Issuer shall not be unreasonably withheld, conditioned or delayed with respect to any transfer which is subject to the approval of the Issuer pursuant to this Section 6.01 and (ii) comply with the provisions of the Land Use Restriction Agreement restricting any such transfer.

(b) In addition, in connection with a proposed transfer, the Borrower and any transferee shall comply with all applicable provisions of the laws and regulations of the State in effect at that time regarding notice to tenants, and tenants' rights generally, including, specifically, the right of first refusal, or any successor legislation thereto. The transferee shall expressly assume the Borrower's duties and obligations under this Agreement and any other Documents to which the Borrower is a party in writing simultaneously with any approved transfer as set forth in this Section 6.01. The Borrower shall make available to the Trustee and the Issuer copies of any documents reflecting an amendment to partnership interests in the Borrower or other organizational documents relating to the sale or other transfer of assets of the Borrower.

(c) Except as otherwise provided for herein, the Borrower will not, directly or indirectly, by operation of law or otherwise, sell, assign, grant a deed of trust, pledge, hypothecate, transfer or otherwise dispose of the Development or any interest in the

Development, and will not encumber, alienate, hypothecate, grant a security interest in or grant any other ownership or control interest whatsoever in the Development, in the leases or in the rents, issues and profits therefrom.

(d) Except as otherwise provided for herein, no interest in the Borrower and no ownership interest in the General Partner may be sold, conveyed, transferred, assigned, pledged or otherwise transferred, in whole or in part, directly or indirectly, by operation of law or otherwise.

(e) Notwithstanding anything to the contrary contained in the subsections above or otherwise in the Borrower Documents, each of the following transactions are hereby deemed to be expressly permitted hereunder and shall not require any further consent of the Issuer:

(i) Issuance of partnership interests in the Borrower equal to 99.99% of the profits, losses, credits, distributions and other interests in the Borrower to the Investor Limited Partner;

(ii) The transfer by the Investor Limited Partner of all or any portion of its partnership interest in the Borrower to (A) any other entity which is an affiliate of the Investor Limited Partner or its members, (B) any other entity which is controlled by, or under common control with, Synovus Bank (the "Investor Sponsor"), or (C) an entity that is sponsored by Investor Sponsor, provided that Investor Sponsor delivers twenty-one (21) days prior written notice of such transfer to the Trustee; and

(iii) The pledge and encumbrance of the partnership interests in the Borrower of the Investor Limited Partner to or for the benefit of any financial institution which enables the Investor Limited Partner to make its capital contributions to Borrower and any subsequent realization by any such lender upon the interests of the Investor Limited Partner in the Borrower.

(iv) The removal of the General Partner by an affiliate of the Investor Limited Partner pursuant to the terms of the Partnership Agreement of the Borrower and the replacement of the General Partner with the Investor Limited Partner or an affiliate of the Investor Limited Partner including a special member of Borrower;

(v) The transfer of interests in the Borrower so long as the General Partner on the date hereof retains a controlling interest in the Borrower;

(vi) The pledge and encumbrance of the partnership interest of the General Partner in the Borrower in accordance with the terms of the Partnership Agreement and the Land Use Restriction Agreement; and

(vii) The indirect transfer by the Investor Limited Partner or an affiliate of the Investor Limited Partner of all or any portion of its partnership interest in the Borrower so long as an entity which is controlled by, or under common control with, the Investor Sponsor retains a controlling interest in the Investor Limited Partner.

(f) The Borrower will not become a party to any merger or consolidation, or agree to effect any asset acquisition or stock acquisition.

(g) The Borrower will not convert the ownership of the Development into condominium or cooperative housing corporation form of ownership other than a limited equity cooperative that is a qualified cooperative housing corporation as defined in Section 143(k)(9) of the Code.

(h) The Borrower will not seek the dissolution or winding up, in whole or in part, of the Borrower or voluntarily file, or consent to the filing of, a petition for bankruptcy, reorganization, or assignment for the benefit of creditors or similar proceedings.

(i) The Borrower will not enter into any arrangement, directly or indirectly, whereby the Borrower shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property that the Borrower intends to use for substantially the same purpose as the property being sold or transferred without the prior written consent of the Issuer in its sole and absolute discretion.

(j) The Borrower will not take any action that would adversely affect the exclusion of interest on the Bonds from gross income, for purposes of federal income taxation nor omit or fail to take any action required to maintain the exclusion of interest on the Bonds from gross income, for purposes of federal income taxation.

(k) [Reserved].

(l) This Agreement may not be sold, transferred or otherwise disposed of by the Borrower without the prior written consent of the Issuer (which consent shall be within the reasonable discretion of the Issuer), subject to each of the following conditions:

(i) No such assignment will relieve the Borrower from primary liability for any of its obligations hereunder (unless the Issuer agrees in writing to release the Borrower) and in the event of any such assignment, the Borrower will continue to remain primarily liable for payment of its obligations hereunder and for performance and observance of the other covenants and agreements on its part herein provided.

(ii) No such assignment will, in the opinion of Bond Counsel (all such expenses related to such opinion shall be paid by the Borrower), adversely affect the excludability of interest on the Bonds from gross income for purposes of federal income taxation.

(iii) The assignee will assume in writing the obligations of the Borrower hereunder and under the Land Use Restriction Agreement to the extent of the interest assigned in a form acceptable to the Issuer (the "Assumption Agreement").

(iv) Prior to any such assignment, the Borrower will, furnish or cause to be furnished to the Issuer and the Trustee an executed original of the Assumption Agreement.

Section 6.02. Indemnification by Borrower.

The Borrower and the General Partner (the "Indemnitors") hereby agrees to release the Issuer and its respective officers, directors, agents, officials, employees, financial advisors, members of its governing body and any person who controls the Issuer within the meaning of the Securities Act of 1933 (the "Issuer Indemnified Parties") and the Trustee and its respective officers, directors, agents, and employees (the "Trustee Indemnified Parties") from, and covenants and agrees to indemnify, hold harmless and defend Issuer Indemnified Parties and the Trustee Indemnified Parties from and against any and all losses, claims, damages, liabilities and expenses (including reasonable attorneys' fees and expenses, litigation and court costs, costs incurred in connection with any audit by the Internal Revenue Service, amounts paid in settlement by or with the approval of the Borrower and amounts paid to discharge judgments), taxes, causes of action, suits, demands and judgments of any nature, joint or several, by or on behalf of any person arising out of:

(a) the approval of financing for the Development, or the making of the Loan;

(b) the issuance and sale or resale of any Bonds or any certifications or representations made by any person other than the party seeking indemnification in connection therewith, including, but not limited to, any (i) statement or information made by the Borrower with respect to the Borrower or the Development in any offering document or materials regarding the Bonds, the Development or the Borrower or in the Tax Certificates or in any other certificate executed by the Borrower which, at the time made, is misleading, untrue or incorrect in any material respect; (ii) untrue statement or alleged untrue statement of a material fact relating to the Borrower or the Development, which is made as approved by the Borrower and is contained in any offering material relating to the sale of the Bonds, as from time to time amended or supplemented, or arising out of or based upon the omission or alleged omission to state in such offering material a material fact relating to the Borrower or the Development required to be

stated in such offering material or necessary in order to make the statements in such offering material not misleading; or (iii) failure to properly register or otherwise qualify the sale of Bonds or failure to comply with any licensing or other law or regulation which would affect the manner in which or to whom the Bonds could be sold;

(c) the interpretation, performance, enforcement, breach, default or amendment of the Bond Documents, the Loan Documents or any other documents relating to the Development or the Bonds or in connection with any federal or state tax audit, or any questions or other matters arising under such documents;

(d) the Borrower's failure to comply with any requirement of the Loan Agreement or the Land Use Restriction Agreement;

(e) the condition of the Development (environmental or otherwise), including any violation of any law, ordinance, court order or regulation affecting the Development or any part of it;

(f) any damage or injury, actual or claimed, of whatsoever kind, cause or character to the Development (including loss of use of the Development) or persons, occurring or allegedly occurring in, on or about the Development or arising out of any action or inaction of the Borrower or any of its agents, servants, employees or licensees, whether or not related to the Development, or resulting from the acquisition, construction, design, repair, operation, use or management of all or any part of the Development;

(g) any and all claims arising in connection with the operation of the Development, or the conditions, environmental or otherwise, occupancy, use, possession, conduct or supervision of work done in or about, or from the planning, design, construction, repair or equipping of, the Development or any part of it, including, but not limited to, the Americans with Disabilities Act; and

(h) to the extent not mentioned in any of the preceding subsections of this Section 6.02, any cause whatsoever in connection with transactions provided for in this Agreement and the other Loan Documents or otherwise in connection with the Development, the Bonds or the execution or amendment of any document relating to the Bonds or the Development.

This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses and liabilities incurred in connection with any such claim, or proceeding brought with respect to such claim.

If any claim shall be made or any action shall be brought against the Issuer Indemnified Parties or the Trustee Indemnified Parties in respect of which indemnity can be sought against the Borrower pursuant to this Section 6.02 or otherwise, the Issuer Indemnified Parties or the Trustee Indemnified Parties shall promptly notify the Borrower in writing, and the Borrower

shall promptly assume the defense of such claim or action, including the employment of counsel chosen by the Borrower and approved by the Issuer or the Trustee, the payment of all expenses and the right to negotiate a settlement with the consent and approval of the Issuer or the Trustee; if the Borrower shall have failed to assume the defense of such action or to retain counsel reasonably satisfactory to the Issuer or the Trustee within a reasonable time after notice of the commencement of such action, the Borrower shall pay the reasonable fees and expenses of counsel retained by the Issuer Indemnified Parties or the Trustee Indemnified Parties. If the Issuer Indemnified Parties or the Trustee Indemnified Parties are advised in a written opinion of counsel that there may be legal defenses available to the Issuer Indemnified Parties or the Trustee Indemnified Parties which are adverse to or in conflict with those available to the Borrower or that the defense of the Issuer Indemnified Parties or the Trustee Indemnified Parties should be handled by separate counsel, the Borrower shall not have the right to assume the defense of the Issuer Indemnified Parties or the Trustee Indemnified Parties, but shall be responsible for the reasonable fees and expenses of counsel retained by the Issuer Indemnified Parties or the Trustee Indemnified Parties in assuming its own defense. Notwithstanding the foregoing, the Issuer Indemnified Parties or the Trustee Indemnified Parties shall have the right to employ separate counsel with respect to any such claim or in any such action and to participate in the defense thereof, but the Issuer Indemnified Parties or the Trustee Indemnified Parties shall pay the fees and expenses of such counsel unless the employment of such counsel has been specifically authorized by the Borrower or unless the provisions of the immediately preceding sentence are applicable. The Borrower shall not be liable for any settlement of any such action effected without the consent of the Borrower, but if such claim or action is settled with the consent of the Borrower, or if there is a final judgment for the plaintiff in any such action with or without consent, the Borrower agrees to indemnify and hold harmless the Issuer Indemnified Parties or the Trustee Indemnified Parties from and against any loss, liability or expense by reason of such settlement or judgment.

The Borrower shall also indemnify the Issuer Indemnified Parties and the Trustee Indemnified Parties for all reasonable costs and expenses, including reasonable counsel fees, incurred in: (i) enforcing any obligation of the Borrower under this Agreement or any related agreement, (ii) taking any action requested by the Borrower, (iii) taking any action required by this Agreement or any related agreement, or (iv) taking any action considered necessary by the Issuer Indemnified Parties or the Trustee Indemnified Parties and which is authorized by this Agreement or any related agreement. If an Issuer Indemnified Party or a Trustee Indemnified Party takes any action under this Agreement or any other instrument executed in connection herewith for the benefit of the Borrower, it will do so if and only if (a) the Issuer Indemnified Parties or the Trustee Indemnified Parties are a necessary party to any such action or proceeding, and (b) the Issuer Indemnified Parties or the Trustee Indemnified Parties has received specific written direction from the Borrower, as required under this Agreement or under any other instrument executed in connection with this Agreement, as to the action to be taken by the Issuer Indemnified Parties or the Trustee Indemnified Parties.

This indemnification shall not be affected by any investigation by or on behalf of the

Issuer Indemnified Parties or the Trustee Indemnified Parties or by any information the Issuer Indemnified Parties or the Trustee Indemnified Parties may have or obtain with respect thereof. This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses and liabilities incurred in connection with any such claim, or proceeding brought with respect to such claim to the fullest extent permitted by law, unless liability is a result of gross negligence, willful misconduct or fraud on the part of the Issuer Indemnified Parties or the Trustee Indemnified Parties, its members, officers, agents, employees and their successors and assigns. The indemnification provided in this Article V is in addition to, and not in substitution of, the indemnification provisions in other documents executed and delivered in connection with the making of the Loan and the issuance of the Bonds.

All amounts payable to the Issuer under this Agreement shall be deemed to be fees and expenses payable to the Issuer for the purposes of the provisions of this Agreement, and of the Indenture dealing with assignment of the Issuer's rights under this Agreement. The Issuer and its members, officers, agents, employees and their successors and assigns shall not be liable to the Borrower for any reason.

Any provision of this Agreement or any other instrument or document executed and delivered in connection therewith to the contrary notwithstanding, the Issuer retains the right to (i) enforce any applicable Federal or State law or regulation or resolution of the Issuer, and (ii) enforce any rights accorded to the Issuer by Federal or State law or regulation of the Issuer, and nothing in this Agreement shall be construed as an express or implied waiver thereof. The obligations of the Indemnitors under this Section are joint and several, and the indemnifications provided by the Indemnitors shall survive the termination of this Agreement and the satisfaction of the Note, and the resignation or removal of the Trustee.

Section 6.03. **The Issuer to Grant Security Interest to Trustee.** The parties hereto agree that pursuant to the Indenture, the Issuer shall assign to the Trustee, in order to secure payment of the Bonds, all of the Issuer's right, title and interest in and to this Agreement and the Note, except for Unassigned Rights of the Issuer. The Issuer retains the right to enforce any or all of the Unassigned Rights, and may take independent action to so enforce such Unassigned Rights.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. **Defaults Defined.** The following shall be "Defaults" under this Agreement and the term "Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay any amount required to be paid under subsection (a) or (b) of Section 4.02 and Section 4.03 hereof.

(b) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed herein other than as referred to in

subsection (a) of this Section or failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Tax Certificates, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Borrower by the Issuer or the Trustee; provided, with respect to any such failure covered by this subsection (b), no event of default will be deemed to have occurred so long as a course of action adequate to remedy such failure will have been commenced within such 60 day period and will thereafter be diligently prosecuted to completion and the failure will be remedied thereby.

(c) The dissolution or liquidation of the Borrower, or the voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which shall remain undismissed for ninety (90) days, or failure by the Borrower to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower to carry on its operations at the Development, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower into an agreement of composition with its creditors or the failure generally by the Borrower to pay its debts as they become due.

(d) The occurrence and continuance of an Event of Default under the Indenture.

The provisions of subsection (b) of this Section are subject to the following limitation: if by reason of force majeure it is impossible for the Borrower in whole or in part, despite its best efforts, to carry out any of its agreements contained herein (other than its obligations contained in Article IV hereof), the Borrower shall not be deemed in Default during the continuance of such inability. Such force majeure event does not affect any obligations of the Borrower other than the timing of performance of such obligations. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or of any of their departments, agencies or officials, or of any civil or military authority; insurrections; riots; terrorism; landslides; earthquakes; fires; storms; droughts; floods; or explosions; not reasonably within the control of the Borrower. The Borrower agrees, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its agreement.

Section 7.02. Remedies on Default. A copy of any notice of default provided to Borrower under any of the Borrower Documents shall also be provided to Investor Limited Partner and the Lender. Whenever any Default referred to in Section 7.01 hereof shall have happened and be continuing beyond the expiration of any applicable cure period, the Trustee, or the Issuer (in the event the Trustee fails to act), may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become

due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement, the Note, the Land Use Restriction Agreement or any other Document in the event of default thereunder. Any amounts collected pursuant to action taken under this Section shall be paid into the Collateral Fund.

Section 7.03. **No Remedy Exclusive.** Subject to Section 10.01 of the Indenture, no remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power nor shall it be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article. Such rights and remedies as are given to the Issuer hereunder shall also extend to the Trustee, and the Trustee and the Holders of the Bonds, subject to the provisions of the Indenture, including, but not limited to the Unassigned Rights of the Issuer, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 7.04. **Payment of Attorneys' Fees and Expenses.** If any party to this Agreement takes any action to enforce its rights hereunder, then the prevailing party to such action may recover from the other party all of such prevailing party's costs incurred in bringing or defending such action, as the case may be, including (without limitation) attorneys' fees and costs of appeals.

Section 7.05. **No Additional Waiver Implied by One Waiver.** In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.06. **Right to Cure.** Notwithstanding anything to the contrary herein or otherwise in the Borrower Documents, if the Borrower shall, for whatever reason, at any time fail to pay any amount or perform any act which it is obligated to pay or perform under any of the Borrower Documents and, as a result, a default or event of default occurs or may occur thereunder, the Investor Limited Partner shall have the right to perform such act or pay such amount on behalf of the Borrower and thereby cure or prevent such default or event of default, provided such default or event of default is cured within any applicable cure period or grace period provided to the Borrower herein or otherwise in the Borrower Documents. Any cure of any event of default by the Investor Limited Partner under the Borrower Documents shall be deemed a cure by Borrower thereunder.

Section 7.07. **No Interference or Impairment of Lender Loan.** Notwithstanding anything herein to the contrary, none of the Issuer, the Trustee nor any other person shall:

(a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Lender Loan; or

(b) interfere with or attempt to interfere with or influence the exercise by the Lender of any of its rights under the Lender Loan, including, without limitation, the Lender remedial rights under the Lender Loan upon the occurrence of an event of default by the Borrower under the Lender Loan.

The foregoing prohibitions and limitations shall not be construed to affect the Unassigned Rights of the Issuer or to limit the rights of the Issuer to enforce its rights against the Borrower under the indemnification provisions of this Agreement so long as it does not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

Notwithstanding anything in this Agreement to the contrary, any right of the Issuer or the Trustee to take any action at law or in equity to enforce the obligations, covenants and agreements of the Borrower under this Agreement which includes any claim for indemnification, damages or any other monetary obligation sought to be enforced shall be subject and subordinate in all respects to the repayment in full of all amounts due under the Lender Loan Documents.

No subsequent owner of the Development shall be liable or obligated for the breach or default of any obligation of any prior Borrower unless specifically assumed in writing by a subsequent Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations shall be personal to the person who was the Borrower at the time the default or breach was alleged to have occurred and such person shall remain liable for any and all damages occasioned by the default or breach even after such person ceases to be the Borrower with regards the Development.

Promptly upon determining that an Event of Default of this Agreement has occurred, the Issuer or the Trustee shall, by notice in writing to the Lender, inform the Lender that such Event of Default has occurred, the nature of such Event of Default and that such Event of Default has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such Event of Default, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Lender Loan or to foreclose on the Lender Mortgage.

ARTICLE VIII

HAZARDOUS MATERIALS

Section 8.01. **Representation and Warranty Regarding Hazardous Materials.** Before signing this Loan Agreement, the Borrower engaged qualified professionals to research and inquire into the previous uses and owners of the Development and prepare the reports and studies described in Exhibit C attached hereto, each of which (collectively, the “Hazardous Materials Reports”) has been delivered to the Investor Limited Partner and the Issuer. Based solely on that due diligence, the Borrower represents and warrants that, except as Borrower has disclosed to Investor Limited Partner and the Issuer in writing or in the Hazardous Materials Reports prior to the execution of this Loan Agreement, to the best of Borrower’s knowledge, (i) no Hazardous Materials have been disposed of, or released to or from, or otherwise now exists in, on, under or around the Development at a level of concentration that results in the Hazardous Materials being subject to regulation, control, removal or restriction by any governmental agency under any law, regulation or ordinance, and (ii) no aboveground or underground storage tanks are now or have ever been located on or under the Development. Notwithstanding anything to the contrary, disclosure to the Issuer of any Hazardous Materials located at the Development prior to the Closing Date shall in no way release the Borrower from its indemnification obligations provided in this Agreement or in the Environmental Indemnity (the provisions of which are in addition to the provisions set forth in this Article VIII).

Section 8.02. **Compliance Regarding Hazardous Substances.** Borrower has complied, will comply, and will use commercially reasonable efforts to cause all tenants and any other persons who may come upon the Development to comply, with all federal, state and local laws, regulations and ordinances governing or applicable to Hazardous Materials, including those requiring disclosures to prospective and actual buyers or tenants of all or any portion of the Development. The Borrower will not install or allow to be installed any aboveground or additional underground storage tanks on the Development without the prior written approval of the Issuer. The Borrower must comply with the reasonable recommendations of any qualified environmental engineer or other expert engaged by the Borrower, the Issuer or the Investor Limited Partner with respect to the Development.

Section 8.03. **Notices Regarding Hazardous Substances.** The Borrower must promptly notify the Investor Limited Partner and the Issuer in writing (i) if it has actual knowledge that there may be any Hazardous Materials in or around any part of the Development, any improvements constructed on the Development, or the soil, groundwater or soil vapor on or under the Development at a level of concentration that results in the Hazardous Materials being subject to regulation, control, removal or restriction by any governmental agency under any law, regulation or ordinance, or that the Borrower or the Development may be subject to any threatened or pending investigation by any governmental agency under any law, regulation or ordinance pertaining to any Hazardous Materials, and (ii) of any claim made or threatened in writing by any person, other than a governmental agency, against the Borrower arising out of or resulting from any Hazardous Substance being present or released in, on or around any part of

the Development, any improvements constructed on the Development or the soil, groundwater or soil vapor on or under the Development (any of the matters described in clauses (i) and (ii) above is a “Hazardous Materials Claim”).

Section 8.04. **Remedial Work.** The Borrower must promptly undertake any and all remedial work (“Remedial Work”) in response to Hazardous Materials Claims to the extent required by governmental agency or agencies involved, or to comply with the reasonable recommendations set forth in any written environmental assessment report prepared by a third party engineer retained by the Investor Limited Partner or the Issuer or in the Hazardous Materials Report attached hereto as Exhibit C, if such standard requires a higher degree of remediation, and in all events to minimize any impairment to Trustee’s security under the Loan Documents. All Remedial Work must be conducted (i) in a diligent and timely fashion by licensed contractors acting under the supervision of a consulting environmental engineer; (ii) pursuant to a detailed written plan for the Remedial Work approved by all public or private agencies or persons with a legal or contractual right to such approval; (iii) with insurance coverage pertaining to liabilities arising out of the Remedial Work as is then customarily maintained with respect to such activities; and (iv) only following receipt of any required permits, licenses or approvals. The selection of the Remedial Work contractors and consulting environmental engineer, the contracts entered into with such parties, any disclosures to or agreements with any public or private agencies or parties relating to Remedial Work and the written plan for the Remedial Work (and any changes thereto) is subject to the prior written approval of the Investor Limited Partner and the Issuer, which approval may not be unreasonably withheld or delayed.

Section 8.05. **Reserved.**

Section 8.06. **Defense of Indemnified Parties.** Upon demand by any the Issuer Indemnified Party, the Indemnitors must defend any investigation, action or proceeding involving any Indemnified Costs that is brought or commenced against any the Issuer Indemnified Party, whether alone or together with Borrower or any other person, all at the Borrower’s own cost and by counsel approved by the Indemnified Party. In the alternative, any Indemnified Party may elect to conduct its own defense at the Borrower’s expense.

ARTICLE IX

MISCELLANEOUS

Section 9.01. **Term of Agreement.** This Agreement shall remain in full force and effect from the date hereof until such time as all of the Bonds and all amounts payable hereunder and under the Indenture shall have been fully paid or provision made for such payments, whichever is later, provided, that the provisions of Sections 3.08, 6.02, 7.04 and Article VIII hereof shall survive termination of this Agreement.

Section 9.02. **Notices; Publication of Notice.**

(a) All notices, advice, certifications or other communications hereunder between the Issuer and the Borrower shall be sufficiently given and shall be deemed given when delivered by hand or overnight courier, or mailed by certified or registered mail, postage prepaid, return receipt requested, or transmitted by electronic means (including, without limitation, facsimile transmission) addressed to the appropriate Notice Address. The Issuer, the Borrower or the Investor Limited Partner may, by notice given hereunder, designate any further or different addresses to which subsequent notices, advice, certifications or other communications shall be sent. Notices to persons other than the Issuer, the Borrower or the Investor Limited Partner (such as, for example, notices to owners of Bonds) shall be governed by the other applicable provisions of the Indenture.

(b) Whenever the Issuer or the Borrower is required or permitted to give or publish notice of any event or occurrence under this Agreement, such notice shall be given or published in such manner and by such means as the Issuer or the Borrower, as the case may be, shall determine to be appropriate. Such publication may be by (but is not limited to) any of the following means: (1) publication in one or more newspapers or trade journals selected by the Issuer or the Borrower, as the case may be; (2) publication by or through one or more financial information reporting services; (3) delivery to the Municipal Securities Rulemaking Board's EMMA System or any successor repository or entity fulfilling a substantially similar or like role; or (4) by mailing a copy of such notice by first class mail, postage prepaid, to the person entitled to receive the notice at such person's address as shown on the records of the Issuer or the Borrower.

Section 9.03. **Nonrecourse Liability of Borrower.** From and after the date of this Agreement, (i) the liability of the Borrower and the General Partner under this Agreement shall be limited to the Trust Estate, and such amounts as may be invested in accordance with Section 6.01 of the Indenture, and the Issuer and the Trustee shall look exclusively thereto or to such other security as may from time to time be given or have been given for payment of the Bonds, and any judgment rendered against the Borrower or the General Partner under this Agreement shall be limited to the Development and moneys derived from the operation of the Development, and any other security so given for satisfaction thereof; and (ii) no deficiency or other personal judgment shall be sought or rendered against the Borrower or the General Partner or their respective successors, transferees or assigns, in any action or proceeding arising out of this Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding; provided, however, that nothing herein shall limit the Issuer's or the Trustee's ability to exercise any right or remedy with respect to any property pledged or granted to the Issuer or any trustee under this Agreement, or both, or to exercise any right against the Borrower or the General Partner, on account of any claim for fraud or deceit, and against any other person or entity on account of any claim for fraud or deceit. Notwithstanding anything herein to the contrary, nothing in this Section shall limit the rights of indemnification against the Borrower and the General Partner pursuant to Sections 4.03, 6.02, 8.05 and 8.06 hereof. Furthermore, notwithstanding anything to the contrary, the Borrower and the General Partner

shall be fully liable for: (1) amounts payable to the Issuer constituting Unassigned Rights of the Issuer, (2) any amount due and owing as a result of any calculation or determination which may be required in connection with the Bonds for the purpose of complying with Section 148 of the Code (including rebate liability) or any applicable Treasury regulation, (3) payment of the Issuer Fee, and (4) the indemnification and the payment obligations to the Issuer under Sections 4.03, 6.02, 7.04, 8.05 and 8.06 hereof.

The limit on the Borrower's and the General Partner's liability set forth in this Section shall not, however, be construed, and is not intended to in any way, constitute a release, in whole or in part, of the indebtedness evidenced by this Agreement or a release, in whole or in part, or an impairment of the security interest, or in case of any default or enforcing any other right of the Issuer under this Agreement or to alter, limit or affect the liability of any person or party who may now or hereafter or prior hereto guarantee, or pledge, grant or assign its assets or collateral as security for, the obligations of the Borrower under this Agreement.

The provisions of this Section shall survive the termination of this Agreement.

Section 9.04. **No Pecuniary Liability of the Issuer.** All obligations of the Issuer incurred under any of the Bond Documents shall be limited obligations of the Issuer, payable solely and only from the Trust Estate (as defined in the Indenture). The Bonds shall be payable solely from the Revenues (as defined in the Indenture) and other funds pledged under the Indenture for the payment of the Bonds, and no owner or owners of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the State or any political subdivision or other public body of the State, nor to enforce the payment of the Bonds against any development of the Issuer, the State or any such political subdivision or other public body, except as provided in the Indenture. No member, officer, agent, director, employee, or attorney of the Issuer, including any person executing this Loan Agreement or the Indenture on behalf of the Issuer, shall be liable personally under this Loan Agreement or the Indenture for any reason relating to the issuance of the Bonds. No recourse shall be had for the payment of the principal of, premium, if any, or the interest on the Bonds, or for any claim based on the Bonds, or otherwise in respect of the Bonds, or based in or in respect of this Loan Agreement or any amendment to this Loan Agreement, against any member, officer, agent, director, employee or attorney of the Issuer, as such, of the Issuer or any successor whether by virtue of any constitution, statute or rule of law, or by enforcement of any assessment or penalty or otherwise; all such liability is, by acceptance of this Loan Agreement and as part of the consideration for the issuance of Bonds, expressly waived and released. The Issuer has no taxing power.

Section 9.05. **Binding Effect.** This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower, the Trustee, the Holders of Bonds and their respective successors and assigns.

Section 9.06. **Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.07. **Amounts Remaining in Funds.** It is agreed by the parties hereto that any amounts remaining on deposit under the Indenture upon expiration or earlier termination of this Agreement, as provided in this Agreement, shall be used to pay the fees and expenses of the Trustee and the Issuer in accordance with the Indenture and any balance thereafter shall be paid to the Borrower pursuant to the provisions of the Indenture.

Section 9.08. **Amendments, Changes and Modifications.** Subsequent to the issuance of the Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), and except as otherwise herein expressly provided, this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee, in accordance with the provisions of the Indenture.

Section 9.09. **Execution in Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.10. **Applicable Law.** This Loan Agreement shall be governed exclusively by and construed in accordance with the internal laws of the State of Florida without regard to conflicts of laws principles, except to the extent that the laws of the United States of America may prevail.

Section 9.11. **Captions.** The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Agreement.

Section 9.12. **Anti-Terrorism Laws.**

(a) Neither Borrower nor any affiliate of Borrower is in violation of any statute, treaty, law (including common law), ordinance, regulation, rule, order, opinion, release, injunction, writ, decree or award of any Governmental Authority relating to terrorism or money laundering (collectively, an "Anti-Terrorism Law"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as the same has been, or shall hereafter be, renewed, extended, amended or replaced and as may be in effect from time to time ("Executive Order No. 13224") and the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "USA Patriot Act")) or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(b) Neither Borrower nor any affiliate of Borrower, or to Borrower's knowledge, any of its respective agents acting or benefiting in any capacity in connection with the loans, letters of credit or other transactions hereunder, is any of the following (each a "Blocked Person"):

(c) a person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224;

(i) a person owned or controlled by, or acting for or on behalf of, any person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;

(ii) a person with which Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iii) a person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order No. 13224;

(iv) a person that is named as a "specially designated national" on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website or any replacement website or other replacement official publication of such list; or

(v) a person who is affiliated with a person listed above.

(d) Upon Lender's or Trustee's request from time to time during the term of the Loan, Borrower shall certify in writing to Lender or Trustee, as applicable, that Borrower's representations, warranties, covenants and obligations under this Section 9.12 remain true and correct and have not been breached. Borrower shall immediately notify Lender and Trustee in writing if any of such representations, warranties or covenants are no longer true or have been breached or if Borrower has a reasonable basis to believe that they may no longer be true or have been breached. In connection with such an event, Borrower shall comply with all legal requirements and directives of governmental authorities and, at Lender's or Trustee's request, provide to Lender and Trustee copies of all notices, reports and other communications exchanged with, or received from, governmental authorities relating to such an event. Borrower shall also reimburse Lender and Trustee any expenses incurred by Lender or Trustee in evaluating the effect of such an event on the Loan and Lender's or Trustee's interest in any collateral, in obtaining any necessary license from governmental authorities as may be necessary for Lender or Trustee to enforce its rights under the Documents, and in complying with all legal requirements applicable to lenders as the result of the existence of such an event and for any penalties or fines imposed upon Lender or Trustee as a result thereof.

(e) Borrower is hereby notified that pursuant to the requirements of the USA Patriot Act, Lender and Trustee are required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Lender and Trustee to identify Borrower in accordance with the USA Patriot Act.

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Agreement to be executed in their respective official names and their respective official seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

[SEAL]

By: _____

Name: William I. Gulliford, III

Title: Chair

BORROWER:

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Name: Bryan Hartnett
Title: President

The General Partner hereby agrees with the representations applicable to the General Partner set forth in Article II of this Agreement.

GENERAL PARTNER:

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,

By: _____
Name: Bryan Hartnett
Title: President

EXHIBIT A

DEVELOPMENT DESCRIPTION

The Borrower plans to use the proceeds of the Loan for the purpose of financing a portion of the costs of the acquisition, rehabilitation and equipping by the Borrower of a 204-unit multifamily housing facility and related facilities to be known as Caroline Arms Apartments and to be located in Jacksonville, Duval County Florida (the “Development”).

EXHIBIT B
FORM OF PROMISSORY NOTE

EXHIBIT C

HAZARDOUS SUBSTANCES REPORT

The following list is derived from information contained in the Credit Underwriting Report:

1. Phase I Environmental Site Assessment prepared by
[] on [].

EXHIBIT D
INCOME CERTIFICATION

EXHIBIT E

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

The undersigned authorized representative Caroline Arms Preservation, Ltd., a Florida limited partnership (the "Borrower"), has read and is thoroughly familiar with the provisions of the various documents associated with the issuance by the Jacksonville Housing Finance Authority ("the Issuer"), of its \$[_____] Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the "Bonds"), such documents including:

1. The Land Use Restriction Agreement, as of June 1, 2018, among the Issuer, the Trustee and the Borrower; and

Based on the representations contained in the Income Certification and the proofs and documentation submitted pursuant to the Income Certification, the following percentages of dwelling units in the Development have been either occupied by Lower Income Tenants (as such term is defined in the Land Use Restriction Agreement) on the fifteenth (15th) day of the month in which this certificate is dated and at all times during the month preceding the date of this certificate or were held vacant and available for such occupancy for all or part of such period:

Lower-Income Tenants: _____%

[Remainder of page intentionally left blank]

The undersigned hereby certifies that the Borrower is not in default under any of the above documents, with the exception of the following (if none, please so state):

Capitalized terms used but not defined in this certificate shall have the meanings assigned in the Trust Indenture dated as of June 1, 2018, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee.

Date: _____

BORROWER:

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Name: Bryan Hartnett
Title: President

PROMISSORY NOTE

(Caroline Arms Apartments)

Principal Amount - \$

Delivered to Jacksonville, Florida

Maturity Date:

June [___], 2018

FOR VALUE RECEIVED, the undersigned ("**Borrower**") promises to pay to the order of the **JACKSONVILLE HOUSING FINANCE AUTHORITY** (the "Issuer"), a public body corporate and politic organized and existing under the laws of the State of Florida, its successor and assigns, including but not limited to **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association, as Trustee ("the "**Trustee**"), the principal sum of [_____] THOUSAND AND NO/100 DOLLARS (\$[____]), with interest on the unpaid principal balance from time to time outstanding at the annual rate of [___]% and all other fees, expenses and payments as set forth in the Loan Agreement (as herein defined) and the Bond Documents (collectively, the "Transaction Documents"), the terms of which documents are incorporated herein by reference. Terms not otherwise defined in this Promissory Note (the "Note") shall have the respective meanings as set forth in the Trust Indenture dated as of June 1, 2018, between the Issuer and the Trustee (the "Indenture") and the Loan Agreement between the Issuer and the Borrower dated as of June 1, 2018 (the "Loan Agreement").

The Borrower shall make principal and interest payments, in amounts necessary to pay the principal, interest, premium, if any, on the Bonds when due whether by maturity, acceleration, redemption or otherwise, as well on [December 1, 2020].

All payments hereunder shall be paid (a) in lawful money of the United States of America, (b) in funds which shall be immediately available on such payment due date, (c) prior to 3:00 p.m. on such payment due date, and (d) to the Trustee or its agent at its Principal Office or such other place as the Trustee or a successor trustee may designate in writing to the Issuer and the Borrower. If amounts due hereunder are not paid when due, the unpaid balance shall continue to bear interest from such due date until the date of payment.

This Note is subject to all of the terms, conditions and provisions of the Transaction Documents, including, without limitation, those respecting prepayment and the acceleration of maturity and defaults. The outstanding principal hereof is subject to acceleration as provided in Article VII of the Loan Agreement.

This Note is made pursuant to the Loan Agreement wherein, among other things, the Issuer has agreed to loan to the Borrower and the Borrower has agreed to take a loan in the principal amount above, being the proceeds from the sale of those certain \$[_____] Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds, (Caroline Arms Apartments), Series 2018 (the "Bonds"), said proceeds to be disbursed to the Borrower in accordance with the provisions of the Transaction Documents. The Bonds are being issued by the Issuer pursuant to the Indenture.

At the option of the Issuer or the Trustee, exercised in accordance with the Indenture, the entire principal balance and accrued interest owing hereon shall at once become due and payable without notice or demand upon the occurrence at any time of any of the events (collectively, the "Events of Default") set forth in the Loan Agreement or the Transaction Documents as defaults or Events of Default, after the passage of any applicable grace or cure period provided therein. Further, the Issuer or the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation or covenant of the Borrower under this Note or the other Transaction Documents.

The Issuer's or the Trustee's failure to exercise the option to accelerate the maturity of this Note upon the happening of any one or more of the Events of Default shall not constitute a waiver of the right of the Issuer or the Trustee to exercise the same or any other option at that time with respect to such Event of Default or any other default hereunder or under any instrument securing, governing, guaranteeing or evidencing the loan evidenced by this Note (the "Loan"). The remedies provided in this Note in any other documents or instrument securing, governing, guaranteeing or evidencing the Loan, shall be cumulative and concurrent and may be pursued separately, successively or together as often as occasion therefor shall arise, at the direction of the Issuer. The acceptance by the holder hereof of any payment under this Note which is less than the payment in full of all amounts due and payable at the time of such payment shall not (i) constitute a waiver of or impair, reduce, release or extinguish any remedy or right to exercise the foregoing option or any other option granted to the holder or any other party in this Note, or under any other instrument securing, governing, guaranteeing or evidencing the loan evidenced hereby, at that time or at any subsequent time, or nullify any prior exercise of any such option, or (ii) impair, reduce, release, extinguish or adversely affect the obligations of any party liable under such documents as originally provided therein.

The Borrower waives demand, presentment, notice of dishonor, notice of intention to accelerate the indebtedness evidenced hereby, notice of the acceleration of the maturity hereof, diligence in collecting, grace, notice (except as set forth in the Loan Agreement) and protest, and agrees to one or more extensions for any period or periods of time and to partial payments, before or after maturity, without prejudice to the holder of this Note.

If this Note is not paid when due, whether at maturity or by acceleration, or if, after the occurrence of a default or an Event of Default, this Note is placed with an attorney for

collection, whether before or after maturity, the Borrower agrees to pay all reasonable costs of collection, including, but not limited to, reasonable legal fees and expenses incurred by or on behalf of the holder hereof.

The proceeds of this Note are to be used for business, commercial, investment or other similar purposes, and no portion thereof will be applied for personal, family or household use.

All agreements between the Borrower and the holder hereof, whether now existing or hereafter arising, and whether written or oral, are hereby limited so that in no event shall the interest payable hereunder (whether contracted for, charged or received by the holder hereof) exceed the maximum amount permissible under applicable law. If, from any circumstances whatsoever, interest would otherwise be payable to the holder hereof in excess of the maximum lawful amount, the interest payable to the holder hereof shall be reduced to the maximum amount permitted under applicable law; and if from any circumstance the holder hereof shall ever receive anything of value deemed interest by applicable law in excess of the maximum lawful amount, an amount equal to any such excessive interest shall be applied to the reduction of the principal hereof and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal hereof such excess shall be refunded to the Borrower. All interest paid or agreed to be paid to the holder hereof shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full period until payment in full of the principal (including the period of any renewal or extension hereof) so that the interest hereon for such full period shall not exceed the maximum amount permitted by applicable law. This paragraph shall control all agreements between the Borrower and the holder hereof.

The characterization of the obligations of the Borrower hereunder as recourse, limited recourse or non-recourse shall be governed by Section 9.03 of the Loan Agreement, which Section is hereby incorporated herein, and shall be subject to the terms thereof.

The Borrower hereby acknowledges that, pursuant to the Loan Agreement, the Issuer is assigning to the Trustee all of the Issuer's right, title and interest in and to this Note.

All notices, demands and other communications required or permitted to be given by the Issuer to the Borrower pursuant to this Note shall be given in accordance with Section 9.02 of the Loan Agreement. The investor limited partner of the Borrower shall have the right, but not the obligation, to cure any default of Borrower hereunder and the Issuer shall accept such as if tendered by Borrower.

The Borrower agrees that any controversy arising under or in relation to this Note shall be litigated exclusively in the City of Jacksonville, Duval County, Florida (the "Property Jurisdiction"). The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies, which shall arise under or in relation to this Note. The Borrower irrevocably consents to service, jurisdiction, and venue of

such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

THE BORROWER AND THE ISSUER EACH (A) AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS NOTE OR THE RELATIONSHIP BETWEEN THE PARTIES, AS THE ISSUER AND THE BORROWER, THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

The provisions of this Note and the Transaction Documents shall be binding on the successors and assigns of the Borrower, including, but not limited to, any receiver, trustee, representative or other person appointed under foreign or domestic bankruptcy, receivership or similar proceedings of the Borrower, and any person having an interest in the Borrower.

If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement of the Borrower contained in this Note shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Borrower to the full extent permitted by law.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA AND THE LAWS OF THE UNITED STATES APPLICABLE TO TRANSACTIONS IN THE STATE OF FLORIDA.

[SIGNATURE PAGES TO FOLLOW]

**SIGNATURE PAGE OF
BORROWER TO PROMISSORY NOTE**

(Caroline Arms Apartments)

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Promissory Note or caused this Promissory Note to be duly executed and delivered by its authorized representative as of the date first set forth above. The undersigned intends that this instrument shall be deemed to be signed and delivered as a sealed instrument.

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Name: Bryan Hartnett
Title: President

DATED this ____ day of _____, 2018.

**ENDORSEMENT OF
JACKSONVILLE HOUSING FINANCE AUTHORITY
PROMISSORY NOTE**

(Caroline Arms Apartments)

Pay to the order of:

**THE BANK OF NEW MELLON TRUST COMPANY, N.A., a national banking association, as
Trustee, without recourse.**

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

By: _____
William I. Guilliford, III
Chair

Dated as of _____, 2018

**This document prepared by
(and after recording return to):**

Rhonda Bond-Collins
Randall C. Clement
Bryant Miller Olive
Citrus Center
255 South Orange Avenue
Suite 1350
Orlando, Florida 32801

LAND USE RESTRICTION AGREEMENT

Owner's
Name and Address: Caroline Arms Preservation, Ltd.
c/o Lincoln Avenue Capital, LLC
595 Madison Avenue, Suite 1601
New York, New York 10022

Location of Development: 6457 Fort Caroline Road
Jacksonville, Florida 32277

Name of Development: Caroline Arms Apartments

Issuer's
Name and Address: Jacksonville Housing Finance Authority
214 N. Hogan Street
7th Floor
Jacksonville, Florida 32202

This **LAND USE RESTRICTION AGREEMENT** (this "Regulatory Agreement"), made and entered into as of June 1, 2018, by and among the Jacksonville Housing Finance Authority (the "Issuer"), a public body corporate and politic created pursuant to the laws of the State of Florida (the "State"), whose mailing address is 214 N. Hogan Street, 7th Floor, Jacksonville, Florida 32202; The Bank of New York Mellon Trust Company, N.A., a national banking association with a representative office in Jacksonville, Florida, whose mailing address is 10161 Centurion Parkway N., Jacksonville, Florida 32256, ATTN: Corporate Trust Department, in its capacity as trustee (including its successors and assigns, the "Trustee") under the Trust Indenture between the Issuer and the Trustee entered into as of June 1, 2018 (the "Indenture"), authorizing and securing the Issuer's Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the "Series 2018 Bonds"); and Caroline Arms Preservation, Ltd., a

Florida limited partnership and its successors and assigns, whose mailing address is [_____] (the "Owner").

W I T N E S S E T H:

WHEREAS, the Owner intends to acquire and rehabilitate a multifamily residential rental facility located within Duval County, Florida (the "County") to be occupied by Lower-Income Persons, all for the public purpose of assisting persons or families of low, moderate or middle income within the County to afford the costs of decent, safe and sanitary housing; and

WHEREAS, the Issuer has authorized the issuance and delivery of the Series 2018 Bonds in the aggregate principal amount of \$12,800,000, pursuant to the Indenture in order to provide a loan (the "Loan") to the Owner, pursuant to a Loan Agreement dated as of June 1, 2018 (the "Loan Agreement"), by and between the Issuer and the Owner, to finance a portion of the cost of the acquisition, rehabilitation and equipping of the Land and the Development (the "Development"), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Indenture and the Loan Agreement require, as a condition of making the Loan, the execution and delivery of this Regulatory Agreement; and

WHEREAS, in order to satisfy such requirement, the Issuer, the Trustee and the Owner have determined to enter into this Regulatory Agreement to set forth certain terms and conditions relating to the operation of the Development located on the Land; and

WHEREAS, this Regulatory Agreement shall be properly filed and recorded by the Owner within the official records of the County and shall constitute a restriction upon the use of the Land and the Development subject to and in accordance with the terms contained herein.

NOW THEREFORE, in consideration of providing the financing by the Issuer to the Owner, acknowledging that compliance with this Regulatory Agreement is necessary to preserve the exclusion from gross income for federal income tax purposes on the Series 2018 Bonds, covenants and agrees with the other parties hereto as follows:

Section 1. Definitions and Interpretation.

(a) The following terms shall have the respective meanings set forth below (undefined terms shall be given the meanings set forth in the Indenture):

"Affiliated Party" of a person means a person such that (i) the relationship between such persons would result in a disallowance of losses under Section 267 or 707(b) of the Code, or (ii) such persons are members of the same controlled group of corporations as defined in Section 1563(a) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears therein.

"Applicable Income Limit" means sixty percent (60%) of area median gross income (within the meaning of Section 142(d) of the Code) for the City of Jacksonville, Duval County, Florida, Standard Metropolitan Statistical Area, as determined by the Secretary of the United States Department of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the Housing Act, as amended (or if such program is terminated, under such program as in effect immediately before such termination), including adjustments for family size.

"Available Units" means residential units in a residential rental project that are actually occupied and residential units in the project that are unoccupied and have been leased at least once after becoming available for occupancy, provided that (a) in the case of an acquisition of an existing residential rental project, a residential unit that is unoccupied on the later of (i) the date the Development is acquired or (ii) the issue date of the First Bonds, is not an Available Unit and does not become an Available Unit until it has been leased for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been leased for the first time after the renovations are completed.

"Bond Counsel" means a firm of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of public obligations and who is acceptable to the Trustee.

"Certificate of Continuing Program Compliance" means the certificate required to be delivered by the Owner to the Issuer Servicer and the Issuer pursuant to Section 4(d) of this Regulatory Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"County" means Duval County, Florida.

"Current Annual Family Income" is determined in accordance with Section 8 of the Housing Act, as amended (or, if such program is terminated, under such program as in effect immediately before such termination), and includes wages and salaries, overtime pay, commissions, fees, tips and bonuses and other forms of compensation for personal services, net income from operation of a business or a profession, interest, dividends and other net income of any kind from real or personal property, periodic payments from Social Security, annuities,

insurance policies, retirement funds, pensions, disability or death benefits or similar types of periodic receipts, payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay, welfare assistance, periodic and determinable allowances such as alimony and child support and regular pay, special pay and allowances of a member of the Armed Forces, and other forms of income described in the Income Certification to be provided by the Owner to the Issuer Servicer and the Issuer as provided in Section 4 hereof, but does not include earnings of children under 18, payments received for care of foster children or adults, lump sum insurance payments, inheritances, capital gains and settlements for personal or property losses, amounts received specifically for, or in reimbursement of, the cost of medical expenses, income of a live-in aide, certain student financial assistance, special pay to a member of the Armed Forces who is exposed to hostile fire, amounts received under certain training programs and other social service programs, temporary, nonrecurring or sporadic income or other forms of income that the Income Certification specifies may be excluded.

"Development" means the multifamily residential rental housing development known as Caroline Arms Apartments, located on the Land and financed, in part, with proceeds of the Series 2018 Bonds pursuant to the Loan Agreement.

"Eligible Persons" means one or more natural persons or a family, irrespective of race, creed, religion, color, national origin, marital status, handicap or sex.

"Exempt Elderly Unit" means a unit within the Development meeting the requirements for exemption from the prohibition against familial status discrimination contained in Title VIII of the Civil Rights Act of 1968 (known as the Fair Housing Act), as amended.

"First Bonds" means the first issue of bonds to which Section 142(d) of the Code applies issued to finance the acquisition of a residential rental project.

"Housing Act" means the United States Housing Act of 1937, as amended from time to time, any successor legislation, and all implementing regulations issued thereunder or in furtherance thereof.

"Indenture" means the Trust Indenture, dated as of this date, between the Issuer and the Trustee, pursuant to which the Bonds are issued, and any amendments and supplements thereto.

"Issuer Servicer" means, initially, Seltzer Management Group, Inc., or its successors or assigns and thereafter, any Issuer Servicer employed by the Issuer to service the Loan and to monitor the Owner's compliance with the requirements of this Regulatory Agreement, the Indenture, the Loan Agreement and the Construction and Loan Servicing Agreement.

"Land" means the real property located in Duval County, Florida, described in Exhibit "A" attached hereto.

"Lender" means SunTrust Bank and its successors and assigns.

"Lender Mortgage" means the first-lien priority Multifamily Mortgage, Assignment of Leases and Rents and Security Agreement (Florida) dated as of June 1, 2018, from Owner for the benefit of the Lender to secure the repayment of the Lender's note.

"Loan" means the loan made by the Issuer to the Owner made pursuant to this Agreement and evidenced by the Note.

"Loan Agreement" means that certain Loan Agreement entered into between the Owner and the Issuer, dated as of June 1, 2018, as amended or supplemented from time to time.

"Lower-Income Persons" means Eligible Persons whose Current Annual Family Income does not exceed the Applicable Income Limit; provided, however, that the occupants of a unit shall not be considered to be Lower-Income Persons if all of the occupants of such unit are students (as defined in Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code. Notwithstanding the foregoing, a dwelling unit shall not fail to be treated as a dwelling unit that is occupied by Lower-Income Persons merely because such dwelling unit is occupied (a) by an individual who is a student and (i) receiving assistance under Title IV of the Social Security Act, (ii) was previously under the care and placement responsibility of the State agency program responsible for administering a plan under Part B or Part E of Title IV of the Social Security Act, or (iii) enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar federal, State or local laws, or (b) entirely by full-time students if such students are (i) single parents and their children and such parents are not dependents of another individual and such children are not dependents of another individual other than a parent of such children, or (ii) married and file a joint return.

"Note" means the promissory note of the Owner, dated May [], 2018 to be delivered to the Issuer and assigned to the Trustee.

"Partnership Agreement" means the Amended and Restated Limited Partnership Agreement of the Owner dated as of June 1, 2018 as the same may be amended from time to time.

"Qualified Project Period" means the period beginning on the later of (i) the first day on which at least 10% of the units in the Development are first occupied and (ii) the date the Series 2018 Bonds are issued, and ending on the latest of (a) the date that is fifteen years after the date on which at least 50% of the units in the Development are first occupied, (b) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding (within the meaning of the Code); (c) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates, and (d) the date which is fifty (50) years from the date of issuance of the Series 2018 Bonds.

"Regulations" means the Income Tax Regulations issued under the Code, as applicable (including applicable final regulations or temporary regulations).

"State" means the State of Florida.

(b) Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include any other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

(c) The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

Section 2. Residential Rental Property. The Owner hereby declares its understanding and intent that, during the term of this Agreement, the Development is to be owned, managed, and operated, as a "project for residential rental property" as such phrase is utilized in Section 142(d) of the Code and as a "qualifying housing development" as defined in Section 159.603(6), Florida Statutes. To that end, the Owner hereby represents, covenants, and agrees as follows:

(a) The Development will be acquired and rehabilitated for the purpose of providing multifamily rental housing, and the Owner shall own, manage, and operate the Development as a qualified residential rental project, all in accordance with Section 142(d) of the Code and Treasury Regulations Section 1.103-8(b), as the same may be amended from time to time.

(b) Each residential unit in the Development shall be contained in one or more buildings or structures located on the Land and shall be similarly designed, furnished and constructed (except as to number of bedrooms and bathrooms), each of which will contain separate and complete facilities for living, sleeping, eating, cooking and sanitation for an individual or a family, including a living area, a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range or microwave oven, refrigerator and sink, all of which are separate and distinct from the other units.

(c) None of the units in the Development will at any time be (1) utilized on a transient basis, (2) used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, nursing home, hospital, sanitarium, rest home, trailer court or park, or (3) rented for initial lease periods of less than six (6) months. No part of the Development will, at any time, be owned or used by a cooperative housing corporation or converted to condominiums.

(d) All of the units will be rented or available for rent on a continuous basis to members of the general public (other than units for a resident manager or maintenance

personnel), and the Owner will not give preference to any particular class or group of persons in renting the units in the Development, except to the extent that units are Exempt Elderly Units or are required to be leased or rented to Lower-Income Persons. Lower-Income Persons who are residents of the Development will have equal access to and enjoyment of all common facilities of the Development at all times. The Owner will not discriminate against children of any age when renting the units in the Development (except for units that are Exempt Elderly Units).

(e) The Land consists of a parcel of real property or parcels of real property that are contiguous except for the interposition of a road, street, stream or similar property, and the Development comprises buildings, structures and facilities that are geographically contiguous and functionally related. Any common facilities financed with proceeds of the Series 2018 Bonds (such as swimming pools, recreational facilities, parking areas and other facilities which are reasonably required for the Development, for example, heating and cooling equipment, trash disposal equipment or units for resident managers or maintenance or security personnel) are functionally related and subordinate to the Development and are commensurate with its size and intended use.

(f) The Owner or an Affiliated Party of the Owner shall not occupy any of the units in the Development; provided, however, that the employee of the Owner or an Affiliated Party of the Owner may occupy a unit in a building or structure in the Development that contains five or more units if such employee of the Owner or an Affiliated Party of the Owner is a resident manager or other necessary employee (e.g., maintenance and security personnel). No more than two units in the Development shall be occupied by resident managers or maintenance or security personnel.

(g) None of the proceeds of the Series 2018 Bonds (including investment earnings) may be used to provide a skybox or any other private luxury box, an airplane, or a store the principal business of which is the sale of alcoholic beverages for consumption off premises or a facility used primarily for gambling.

The requirements of this Section 2 shall remain in effect during the term of this Regulatory Agreement (as defined in Section 13 below).

Section 3. Lower-Income Persons. The Owner hereby represents, warrants and covenants as follows:

(a) At all times during the Qualified Project Period, not less than one hundred percent (100%) of the Available Units in the Development, other than those units occupied by the Owner or an Affiliated Party to the Owner pursuant to subsection 2(f) above, shall be occupied (or held available for occupancy) on a continuous basis by persons or families at the Applicable Income Limit who are Lower-Income Persons. This occupancy requirement is referred to herein as the "Lower-Income Requirement").

(b) For purposes of paragraph (a) of this Section 3, a unit occupied by an individual or family who at the commencement of the occupancy of such unit is a Lower-Income Person shall be counted as occupied by a Lower-Income Person, as applicable, during such individual's or family's tenancy in such unit, even though such individual or family ceases to be a Lower-Income Person. However, a Lower-Income Person whose income as of the most recent Income Certification (as described in Section 4(a) below) exceeds one hundred forty percent (140%) of the Applicable Income Limit shall not continue to be treated as a Lower-Income Person if after delivery of such Income Certification, but before the delivery of the next Income Certification, any unit in the building (within the meaning of Section 42 of the Code) is occupied by a new resident who is not a Lower-Income Person. In addition, a unit that was occupied by a Lower-Income Person shall be counted as occupied by a Lower-Income Person until it is reoccupied other than for a temporary period of not more than thirty-one (31) days, at which time the unit shall be considered to be occupied by a Lower-Income Person only if the individual or family then occupying the unit satisfies the definition of a Lower-Income Person.

Section 4. Reporting Requirements.

(a) Income certifications ("Income Certifications") shall be obtained by the Owner from each Eligible Person and delivered to the Issuer Servicer (i) at the time of initial occupancy for all tenants, (ii) upon the vacancy and reoccupancy of any unit in the Development, and (iii) as often as necessary to comply with the requirements of Section 142(d) of the Code.

(b) The Owner shall file with the Issuer Servicer and the Issuer, on the tenth business day of each month, copies of the Income Certifications specified in Section 4(a) hereof obtained by the Owner during the previous month.

(c) The Owner shall maintain complete and accurate records pertaining to the incomes of (as of the date of initial occupancy of each tenant) and rentals charged to Lower-Income Persons residing in the Development, and shall permit, during regular business hours, upon 5 business days' notice to the Owner, any duly authorized representative of the Issuer or the Issuer Servicer to inspect the books and records of the Owner pertaining to the incomes of and rentals charged to all tenants residing in the Development.

(d) The Owner shall prepare and submit to the Issuer Servicer and the Issuer at the beginning of the Qualified Project Period, and on the tenth business day of each month thereafter, rent rolls and a Certificate of Continuing Program Compliance executed by the Owner, stating (i) the percentage of units that were occupied by Lower-Income Persons as of the last day of the previous month, (ii) that, other than those units occupied by the Owner or an Affiliated Party to the Owner pursuant to Section 2(f) above, at all times during the previous month one hundred percent (100%) of the Available Units were occupied by (or held available for occupancy by) Lower-Income Persons (as determined in accordance with Section 3 of this Regulatory Agreement), and (iii) that no default has occurred under this Regulatory Agreement and the Owner has not failed to comply with any provisions of this Regulatory Agreement, or,

if such a default or failure has occurred, the nature of such default or failure and the steps, if any, the Owner has taken or proposes to take to correct such default.

(e) The Owner shall render a yearly report to the Secretary of the Treasury as required by Section 142(d)(7) of the Code.

Section 5. Indemnification. The Owner hereby covenants and agrees that it shall indemnify and hold harmless the Issuer, its past, present and future members, employees, agents and representatives, the Issuer, its past, present and future officers of its governing body, employees, attorneys, agents and representatives, and the Trustee, and its past, present and future officers, directors, officials, employees and agents (any or all of the foregoing being hereinafter referred to as the "Indemnified Persons") from and against any and all losses, costs, damages, expenses and liabilities of whatsoever nature or kind (including but not limited to, reasonable attorneys' fees, litigation and court costs related to trial and appellate proceedings, amounts paid in settlement and amounts paid to discharge judgments) directly or indirectly resulting from, arising out of, or related to, the issuance, offering, sale, remarketing or delivery of the Series 2018 Bonds, or the acquisition, design, rehabilitation, equipping, installation, operation, use, occupancy, maintenance or ownership of the Development other than for such Indemnified Persons' own grossly negligent, illegal or unlawful acts or omissions. In the case of any action or proceeding brought against an Indemnified Person in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Owner, and the Owner upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Owner from any of its obligations under this Section except to the extent that failure prejudices the defense of the action or proceeding by the Owner. Any Indemnified Person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless the named parties to any such action (including any impleaded parties) include both an Indemnified Person and the Owner or one or more other Indemnified Persons, and such Indemnified Person shall have been advised by counsel that a conflict of interest between the Owner and such Indemnified Person, or between Indemnified Persons, exists, and for this reason it is not desirable for the same counsel to represent both the Owner and such Indemnified Person or Indemnified Persons, in which case the Owner shall not have the right to assume the defense of such action on behalf of such Indemnified Person and the fees and expenses of such separate counsel shall be paid by the Owner; it being understood, however, that, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, the Owner shall not be liable for the reasonable fees and expenses of more than one separate firm of attorneys for each such Indemnified Person. The Owner shall not be liable for any settlement effected without its consent, unless the named parties to any such action (including any impleaded parties) include both an Indemnified Person and the Owner, and such Indemnified Person shall have been advised by counsel that a conflict of interest between the Owner and such Indemnified Person exists. This indemnity shall not be construed to cause

the Owner to be personally liable for the principal of or interest on the Series 2018 Bonds or the Loan.

Section 6. Reliance. The Issuer and the Owner hereby recognize and agree that the representations and covenants set forth herein may be relied upon by the owners from time to time of the Series 2018 Bonds, the Issuer, Bond Counsel and the other parties to transactions involving the issuance, sale or remarketing of the Series 2018 Bonds and their respective counsel. In performing their duties and obligations hereunder, the Issuer, the Issuer Servicer and the Trustee may rely upon statements and certificates of the Owner or Lower-Income Persons reasonably believed by the Issuer, Issuer Servicer or the Trustee, as applicable, or their respective agents, officers, directors, officials or employees to be genuine and to have been executed by the proper person or persons, and upon audits of the books and records of the Owner pertaining to occupancy of the Development. In addition, the Issuer, the Issuer Servicer and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered by the Issuer, the Issuer Servicer or the Trustee hereunder in good faith and in conformity with the opinion of such counsel. In performing its duties and obligations hereunder, the Owner may rely upon certificates of Lower-Income Persons reasonably believed to be genuine and to have been executed by the proper person or persons.

Section 7. Fair Housing Laws; Home Ownership Opportunity Program; Social Service Programs.

(a) The Owner will comply with all fair housing laws, rules, regulations or orders applicable to the Development and shall not discriminate on the basis of race, creed, color, sex, age (except for units that are Exempt Elderly Units), familial status (except for units that are Exempt Elderly Units) or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development. All advertising and promotional material used in connection with the Development shall contain the phrase "Fair Housing Opportunity."

(b) The Owner hereby covenants and agrees to provide the tenant services and residential programs and amenities indicated in Exhibit "B" attached hereto which are located on site of the Development.

Section 8. Tenant Lists. All tenants lists, applications, and waiting lists relating to the Development shall at all times be kept separate and identifiable from any other business of the Owner which is unrelated to the Development, and shall be maintained, as required by the Issuer or the Issuer Servicer from time to time, in a reasonable condition for proper audit and subject to examination during business hours upon reasonable notice by representatives of the Issuer, the Issuer Servicer or the Trustee. Failure to keep such lists and applications or to make them available to the Issuer, the Issuer Servicer or Trustee after written request therefor will be a default hereunder.

Section 9. Tenant Lease Restrictions. All tenant leases shall be expressly subordinate to the Lender Mortgage and subject to this Regulatory Agreement, and shall contain clauses, among others, wherein each individual lessee:

- (a) Certifies the accuracy of the statements made in the Income Certification;
- (b) Agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material obligations of such lessee's tenancy; that such lessee will comply promptly with all requests for information with respect thereto from the Owner, the Trustee or the Issuer, and that such lessee's failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of such lessee's tenancy; and
- (c) Agrees not to sublease to any person or family who does not expressly accept the lessee's obligations under this Section 9 and execute and deliver to the Issuer Servicer an Income Certification.

Section 10. Sale and Conversion of Development.

(a) The Owner shall not sell, assign, convey or transfer any material portion of the land, fixtures or improvements constituting a part of the Development, or any material portion of the personal property constituting a portion of the Development during the term of this Regulatory Agreement, without (i) the prior written consent of the Issuer, which consent shall not be unreasonably withheld, and (ii) the Trustee and the Issuer having received an opinion of Bond Counsel to the effect that, in reliance upon such factual certificates as it deems appropriate and subject to such qualifications as may be generally acceptable in the industry, such sale, conveyance, transfer, or assignment will not result, under then-existing law, in interest on the Series 2018 Bonds, or any part thereof, becoming includable in the gross income of the holders thereof for federal income tax purposes. If a material portion of the Development financed with proceeds from the Loan is sold during the term hereof and such material portion of such Development consisted of personal property or equipment, the proceeds from the sale thereof may be used by the Owner to purchase property of similar function to be used in connection with the Development. If such material portion of such Development consists of real property and improvements, the purchaser thereof must execute and deliver to the Owner and the Trustee a document in form and substance reasonably satisfactory to the Issuer pursuant to which such purchaser shall agree to operate such property in compliance with the terms and conditions of this Regulatory Agreement.

The Owner shall not sell or otherwise transfer the Development in whole, nor shall there be substituted a new general partner of the Owner or a change in the controlling ownership interest in the general partner of the Owner, or other merger, transfer or consolidation of the Owner, unless (A) the Owner has received the prior written consent of the Issuer (which shall respond within a reasonable period of time and shall not unreasonably withhold such consent),

(B) the Owner shall not be in default hereunder, (C) it is reasonably expected that continued operation of the Development will comply with the requirements of this Regulatory Agreement, (D) the subsequent purchaser or assignee shall execute any document reasonably requested by the Issuer with respect to assuming the obligations of the Owner under this Regulatory Agreement, (E) the Issuer shall not have any reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with or may be unwilling to comply with, the terms of all agreements binding on such purchaser or assignee relating to the Development, (F) the purchaser or assignee, or new general partner or entity acquiring a controlling interest in the general partner of the Owner, shall have satisfied such other conditions as may be reasonably required by the Issuer under the circumstances, (G) the purchaser or assignee shall have first executed a document in recordable form addressed to the Issuer and the Trustee to the effect that such purchaser or assignee will comply with the terms and conditions of this Regulatory Agreement and the Loan Agreement (to the extent still in effect), (H) the Trustee and the Issuer shall receive an opinion of counsel reasonably acceptable to the Issuer to the effect that the purchaser's or assignee's obligations under this Regulatory Agreement, the Loan Agreement, the Note, and any other financing documents to the extent that such documents are still in effect relating to the Series 2018 Bonds (collectively, the "Loan Documents") are enforceable against such purchaser or assignee in accordance with their terms, and (I) the Trustee and the Issuer shall have received an opinion of Bond Counsel to the effect that, in reliance upon such factual certificates as it deems appropriate and subject to such qualifications as may be generally acceptable in the industry, such sale, transfer, disposition or assignment will not result, under then-existing law, in interest on the Series 2018 Bonds, or any part thereof, not being excludable from the gross income of the holders thereof for federal income tax purposes.

It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Development in violation of this Section shall be ineffective to relieve the Owner of its obligations under the Loan Documents. In the event that the purchaser or assignee shall assume the obligations of the Owner under the Loan, the Loan Agreement and this Regulatory Agreement, the Owner shall be released from its obligations thereunder and hereunder, other than its obligations hereunder and under the Loan Agreement arising prior to such date of assumption (unless such obligations are assumed by the purchaser or transferee).

(b) Notwithstanding anything in this Section 10 to the contrary, the restrictions set forth above on the sale, transfer or other disposition or encumbrance of the Development or any portion thereof shall not be applicable to any of the following: (i) leases of apartment units as contemplated by this Regulatory Agreement, (ii) grants of utility related easements and service or concession related leases or easements, including, without limitation, coin-operated laundry service leases and/or television cable easements on the Development, providing same are granted in connection with the operation of the Development as contemplated by this Regulatory Agreement, (iii) any sale or conveyance to a condemning governmental authority as a direct result of the condemnation or a governmental taking or a threat thereof, (iv) the placing of a mortgage lien, assignment of rents or security interests on or pertaining to the Development after the payment of all Series 2018 Bonds and the release of the Lender Mortgage, (v) any transfer of partnership interests in the Owner, other than with respect to the general partner, or

in the entities which are partners in the Owner, other than with respect to the general partner, or (vi) the removal or substitution of the general partner of the Owner, for cause, in certain events as set forth in the Partnership Agreement, with a designee of the investor limited partner, provided however, that such general partner shall be an affiliate of the investor limited partner and provided, further, that the Owner retains ownership of the Development.

Section 11. Negative Covenants. During the term of this Regulatory Agreement, the Owner shall not:

(a) Except pursuant to and as permitted by the provisions of the Loan Documents, or except upon a sale or transfer of the Development in accordance with the terms of the Loan Documents, encumber any of the mortgaged property, including the grant of commercial leases (other than for vending machines, coin operated laundry facilities and similar amenities functionally related and subordinate to the Development and granted in connection with the day to day operation of an apartment complex), or permit the conveyance, transfer or encumbrance of such property (except for such leases and for apartment leases) for the Qualified Project Period. Nothing in this paragraph shall prohibit the granting of easements for the purpose of providing utility services (including cable television or private satellite television) to the Development.

(b) Demolish any part of the Development necessary for the operation thereof for its intended purposes or substantially subtract from any real or personal property of the Development; or

(c) Permit the use of the dwelling accommodations of the Development for any purpose except rental residences in compliance with Section 142(d) of the Code.

Section 12. Covenants to Run with the Land. This Regulatory Agreement and the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the Land and, except as provided in Section 13 hereof, shall pass to and be binding upon the Owner's assigns and successors and all subsequent owners of the Land or the Development or any interest therein; provided, however, that upon the termination of this Regulatory Agreement in accordance with the terms hereof said covenants, reservations and restrictions shall expire. Except as provided in Section 13 hereof, each and every contract, deed or other instrument hereafter executed covering or conveying the Land or the Development or any portion thereof or interest therein shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments. If a portion or portions of the Land or the Development are conveyed, all of such covenants, reservations and restrictions shall run to each portion of the Land or the Development.

Section 13. Term. This Regulatory Agreement shall remain in full force and effect until the expiration of the Qualified Project Period; provided, however, that this Regulatory

Agreement shall automatically terminate in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire or other casualty, seizure, requisition, foreclosure or transfer by deed in lieu of foreclosure, change in a federal law or an action of a federal agency that prevents the Issuer from enforcing the provisions hereof, or condemnation or a similar event (as determined by Bond Counsel), but only if within a reasonable period thereafter (i) the Series 2018 Bonds are retired in full or (ii) the proceeds received as a result of such event are used to finance a development that complies with the provisions hereof and any other applicable requirements of the Code and the Regulations. In the case of foreclosure or transfer of title by deed in lieu of foreclosure or similar event (as determined by Bond Counsel), such termination will cease to be in effect if, at any time during the remainder of the Qualified Project Period following such event, the Owner or an Affiliated Party to the Owner, obtains an ownership interest in the Development for federal tax purposes.

Section 14. Correction of Noncompliance. The failure of the Owner to comply with any of the provisions of this Regulatory Agreement shall not be deemed a default hereunder unless such failure has not been corrected during the 60-day period immediately following the date that the Owner, or with respect to the requirements of Sections 2 or 3 hereof, any of the parties hereto, learned of such failure or should have learned of such failure by the exercise of reasonable diligence (which 60-day period will be extended if (i) such failure cannot reasonably be corrected within such 60-day period, (ii) diligent action to correct such failure commences within such 60-day period, (iii) such action is diligently pursued until such failure is corrected, and (iv) with respect to a failure to comply with any of the requirements of Sections 2 or 3 hereof, the Owner delivers to the Issuer and the Trustee an opinion of Bond Counsel to the effect that such longer cure period will not adversely affect the exclusion of interest on the Series 2018 Bonds from gross income for federal income tax purposes). Not later than the third business day next succeeding the day on which the Trustee or the Issuer Servicer learns of such failure, the Trustee or the Issuer Servicer, as applicable, shall attempt with reasonable diligence to notify the Owner of such failure by telephonic communication; provided, that failure of the Trustee or the Issuer Servicer to notify the Owner shall not relieve the Owner from any of its obligations under this Regulatory Agreement. The Owner's investor limited partner shall have the right, but not the obligation, to cure any default. The Issuer Servicer shall give written notice to the Owner's investor limited partner of such default.

Section 15. Modification of Tax Covenants. Notwithstanding the provisions of Section 22(b) hereof, to the extent any amendments, modifications or changes to the Regulations or the Code shall, in the written opinion of Bond Counsel addressed to the Issuer, the Owner and the Trustee, impose requirements upon the ownership, occupancy or operation of the Development different than those imposed by the Regulations or the Code and stated herein, and the Owner's failure to comply with such different requirements would produce a material and substantial risk that interest on the Series 2018 Bonds will become subject to federal income taxation, then this Regulatory Agreement shall be amended and modified in accordance with such requirements. The parties hereto agree to execute, deliver, and record, if applicable, any and all documents or instruments necessary in the opinion of and in the form approved by Bond Counsel to effectuate the intent of this Section 15.

Section 16. Burden and Benefit. The Issuer, the Trustee and the Owner hereby acknowledge their respective understanding and intent that the burden of the covenants set forth herein touch and concern the Land in that the Owner's legal interest in the Land and the Development is rendered less valuable thereby. The Trustee, the Issuer and the Owner hereby further acknowledge their respective understanding and intent that the benefit of such covenants touch and concern the Land by enhancing and increasing the enjoyment and use of the Land and the Development by Lower-Income Persons, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Series 2018 Bonds were issued. The Owner hereby expressly acknowledges that this Regulatory Agreement is necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds issued by the Issuer to finance the Loan and covenants and agrees that in connection with the acquisition, rehabilitation, equipping, ownership and operation of the Development, it shall and shall require any subsequent purchaser of the Development, to fully comply with all terms and conditions of this Regulatory Agreement.

Section 17. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Development.

Section 18. Application of Insurance and Condemnation Proceeds. Subject to the provisions of the Loan Agreement and the Loan Documents (as defined in Section 10 hereof), if during the Qualified Project Period, the Development is damaged or destroyed or if all or a portion thereof is taken through eminent domain proceedings, or under the threat thereof, proceeds from insurance on the Development or any condemnation awards pertaining to such eminent domain proceedings shall be applied as provided in the Loan Agreement.

Section 19. Remedies; Enforceability. (a) The benefits of this Regulatory Agreement shall inure to, and may be enforced by, respectively, (i) the Issuer and the Trustee, (ii) the holders of the Series 2018 Bonds and their successors and assigns to the extent permitted by the Indenture, and (iii) solely as to Sections 2, 3 and 7 of this Regulatory Agreement, the Lower-Income Persons and their successors who shall reside or be eligible to reside in units set aside for their occupancy pursuant to Section 3 of this Regulatory Agreement for the period set forth in Section 13 hereof, whether or not the Loan may be paid in full, and whether or not the Series 2018 Bonds are Outstanding. If a material violation of any of the provisions hereof occurs and is not cured within the period provided by Section 14 hereof, any or all of such parties may institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such violation or attempted violation, or to compel specific performance hereunder, it being recognized that the beneficiaries of the Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of the Owner's default. The remedies of the beneficiaries of this Regulatory Agreement other than the Issuer (as provided in Section 19(b)) shall be limited to those described in the preceding sentence.

(b) In addition to such other remedies as may be provided for herein, if a violation of any of the provisions of this Regulatory Agreement occurs which is not corrected during the

period provided in Section 14 hereof, the Issuer (and only the Issuer) shall have the right (but not the obligation), and is specifically authorized by the Owner, to terminate the property manager and subject to the approval of the Owner's investor limited partner during the 15-year tax credit compliance period, appoint a new property manager of the Development to operate the Development in accordance with this Regulatory Agreement and the Loan Agreement and take all actions necessary, in the reasonable judgment of the Issuer, to cure any default by the Owner hereunder, and such new property manager assuming such management hereunder shall be paid by or on behalf of the Owner, from the rents, revenues, profits and income from the Development, a management fee not to exceed the prevailing management fee paid to managers of similar housing projects in the area of the County. Subject to Section 13 hereof, the provisions hereof are imposed upon and made applicable to the Land and shall run with the Land and shall be enforceable against the Owner or any other person or entity that has or had an ownership interest in the Development at the time of such violation or attempted violation. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the provisions hereof or to obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation hereof at any later time or times. All rights and remedies provided in this Regulatory Agreement are cumulative, non-exclusive and in addition to any and all rights and remedies that the parties and beneficiaries hereof may otherwise have.

The Owner hereby agrees that the appointment of a new property manager may be necessary to serve the public purpose for which the Series 2018 Bonds were issued and to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds following a violation of the provisions of this Regulatory Agreement which is not cured within the period provided in Section 14 hereof. The Owner hereby expressly consents to, and agrees not to contest, the appointment of a new property manager to operate the Development following a violation by the Owner of the provisions of this Regulatory Agreement which is not cured as provided in Section 14 hereof and hereby waives any and all defenses and objections that might otherwise be raised to any such appointment of a new property manager in accordance with the terms hereof. The Owner further agrees that the Issuer shall have the right to require the Owner to remove any manager or managing agent whose actions or inactions present a material risk of a breach of the agreements of the Owner herein, including, without limitation, a material risk of an adverse impact on the excludability from gross income for federal income tax purposes of interest on the Series 2018 Bonds and which action or inaction is not being corrected as provided in Section 14 hereof, upon such manager or managing agent being given thirty (30) days' written notice of any violation hereof, and such right shall be expressly acknowledged in any contract between the Owner and any such manager or managing agent. The Owner covenants and agrees to diligently and in good faith pursue the appointment and, if required, approval of such a replacement manager or managing agent.

Section 20. Filing. Upon execution and delivery by the parties hereto, the Owner shall cause this Regulatory Agreement and all amendments and supplements hereto to be recorded and filed in the official public deed records of the County, and in such manner and in such

other places as the Issuer or the Trustee may reasonably request, and shall pay all fees and charges incurred in connection therewith.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State.

Section 22. Amendments.

(a) The interest of the Issuer in this Regulatory Agreement shall be assigned to the Trustee and the rights of the Issuer hereunder shall be enforceable by the Trustee. The Owner shall not assign its interest hereunder, except by writing and in accordance with the provisions of Section 10 hereof.

(b) This Regulatory Agreement shall not be amended, revised, or terminated except by a written instrument, executed by the parties hereto (or their successors in title), and duly recorded in the official public records for the County. Anything to the contrary notwithstanding, the parties hereby agree to amend this Regulatory Agreement to the extent required in the opinion of Bond Counsel, in order for interest on the Series 2018 Bonds to remain exempt from federal income taxation under Section 103 of the Code. The Owner agrees, from time to time, to take such other actions and steps necessary to comply, and to cause the Development to comply, with the requirements of Section 142(d) of the Code and to enter into modifications and amendments to this Regulatory Agreement to the extent required by federal law, by any amendment to the Code or by any Regulation promulgated thereunder, in each case so that interest on the Series 2018 Bonds remains exempt from federal income taxes. Any such amendment, revision or termination shall be effected only in accordance with the Indenture.

(c) On the first business day immediately after the date on which no Bonds remain outstanding, as provided in the Indenture, the Trustee shall no longer have any duties or responsibilities under the Regulatory Agreement and all references to the Trustee in this Regulatory Agreement shall be deemed references to the Issuer.

Section 23. Notice. Any notice required to be given hereunder shall be given by certified or registered mail, postage prepaid, return receipt requested, to the Issuer, the Trustee and the Owner at their respective addresses set forth in the first paragraph hereof, or at such other addresses as may be specified in writing by the parties hereto. A copy of any notice sent to the Owner shall also be sent to SunTrust Bank, 8245 Boone Boulevard, Suite 710, Vienna, Virginia 22182, Attention: [____], with a copy to Krooth & Altman LLP, 1850 M Street NW, Suite 400, Washington, DC 20036, Attention: Sameer Upadhyaya, Esq., and to Synovus Bank, 1137 First Avenue, Columbus, Georgia 31901, Attn: [____] with a copy to Kutak Rock LLP, 303 Peachtree Street, NE Suite 2750, Atlanta, Georgia 30308, Attn: Patricia Luna.

Notice shall be deemed given on the third business day after the date of mailing.

Section 24. Severability. If any provision hereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 24. Fannie Mae Rider. The provisions of this Regulatory Agreement are subject to the provisions of the Fannie Mae Rider attached hereto as Exhibit C and made a part hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Issuer, the Trustee, and the Owner have executed this Regulatory Agreement by duly authorized representatives, all as of the 1st day of May, 2018.

[SEAL]

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

By:_____

Name: William I. Gulliford, III

Title: Chair

STATE OF FLORIDA

COUNTY OF DUVAL

The foregoing instrument was acknowledged before me by William I. Gulliford, III, Chair of the Jacksonville Housing Finance Authority, a public body corporate and politic, this [___] day of May, 2018, on behalf of said Issuer. He is personally known to me or have produced a valid drivers license as identification.

(SEAL)

Printed/Typed Name: _____

Notary Public-State of Florida

Commission Number: _____

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee**

By:_____

Name: Janalee R. Scott

Title: Vice President

STATE OF FLORIDA

COUNTY OF DUVAL

The foregoing instrument was acknowledged before me by Janalee Scott, as Vice President of The Bank of New York Mellon Trust Company, N.A., this [____] day of May 2018, on behalf of said national association. She is personally known to me or has produced a valid drivers license as identification.

(SEAL)

Printed/Typed Name:_____

Notary Public-State of Florida

Commission Number:_____

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Name: Bryan Hartnett
Title: President

STATE OF [_____]
COUNTY OF [_____]

The foregoing instrument was acknowledged before me by Bryan Hartnett, as President of Affordable Housing Institute, Inc., General Partner of Caroline Arms Preservation, Ltd. this [____] day of May 2018, on behalf of said corporation. He is personally known to me or has produced a valid drivers license as identification.

(SEAL)

Name (printed or typed)
Notary Public in and for the State of Washington,
residing at _____
My appointment expires: _____

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT B

RESIDENT PROGRAMS AND PROJECT AMENITIES

In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act requirement, the following are also required amenities:

EXHIBIT C

FANNIE MAE RIDER

(Caroline Arms Apartments / Multifamily Bonds)

THIS FANNIE MAE RIDER TO REGULATORY AGREEMENT ("Rider") is attached to and forms a part of the **LAND USE RESTRICTION AGREEMENT ("Regulatory Agreement")**, dated as of June 1, 2018, by and among **CAROLINE ARMS PRESERVATION, LTD.**, a Florida limited liability company ("**Borrower**"), its successors and assigns, **JACKSONVILLE HOUSING FINANCE AUTHORITY ("Issuer")** and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. ("Trustee")**, as Trustee.

1. **Definitions.** All capitalized terms used in this Rider have the meanings given to those terms in the Regulatory Agreement or the Indenture, as applicable. In addition, when used in this Rider, the following terms shall have the meanings given to them in this Rider unless the context clearly indicates otherwise:

"Lender" means SunTrust Bank, a Georgia banking corporation, and its successors and assigns.

"Lender Loan" means the loan made by Lender in the amount of \$[_____] pursuant to the terms of the Lender Loan Agreement.

"Lender Loan Agreement" means the Multifamily Loan and Security Agreement dated as of May __, 2018, between the Lender and the Borrower.

"Lender Note" means the Note (Multistate) dated as of May __, 2018, executed by Borrower for the benefit of Lender.

"Lender Security Instrument" means that Multifamily Mortgage, Assignment of Leases and Rents, and Security Agreement dated as of May __, 2018, securing the obligations of Borrower pursuant to the Lender Loan Agreement.

"Lender Loan Documents" means the Lender Note, the Lender Loan Agreement, the Lender Security Instrument and any other documents executed in connection with the Lender Loan.

2. **Applicability.** This Rider shall amend and supplement the Regulatory Agreement. In the event any provision of this Rider conflicts with the Regulatory Agreement, this Rider shall supersede the conflicting provision of the Regulatory Agreement. This Rider shall apply in spite of the fact that the covenants, reservations and restrictions of the Regulatory Agreement run with the land and may be deemed applicable to any successor in interest to the Borrower.

3. **Obligations not Secured by the Project.** The Regulatory Agreement shall not constitute a mortgage, equitable mortgage, deed of trust, deed to secure debt or other lien or security interest in the Project, other than for establishing the priority of the Regulatory Agreement covenants. None of the obligations of the Borrower or any subsequent owner of the Project under the Regulatory Agreement shall be secured by a lien on, or security interest in, the Project. All such obligations are expressly intended to be and shall remain unsecured obligations. The occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Lender Security Instrument.

4. **Subordination.** The terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 2 and 3 of the Regulatory Agreement, and this Rider are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Lender Loan Documents. Upon a conveyance or other transfer of title to the Project by foreclosure, deed in lieu of foreclosure or comparable conversion of the Lender Loan, the Person who acquires title to the Project pursuant to such foreclosure, deed in lieu of foreclosure or comparable conversion of the Lender Loan (unless such person is the Borrower or a person related to the Borrower within the meaning of Section 1.103-10(e) of the Regulations, in which event the Regulatory Agreement shall remain in full force and effect in its entirety) and from and after the date on which such person acquires title to the project, the terms, covenants and restriction of the Regulatory Agreement shall automatically terminate and be of no force and effect.

5. **Obligations Personal.** The Issuer agrees that no owner of the Project (including Fannie Mae) subsequent to the Borrower will be liable for, assume or take title to the Project subject to:

(a) any failure of any prior owner of the Project to perform or observe any representation or warranty, affirmative or negative covenant or other agreement or undertaking under the Regulatory Agreement; and

(b) the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by any prior owner of the Project under the Regulatory Agreement.

The Borrower and each subsequent owner of the Project shall be responsible under the Regulatory Agreement for its own acts and omissions occurring during the period of its ownership of the Project. All such liability and obligations shall be and remain personal to such person even after such person ceases to be the owner of the Project.

6. **Sale or Transfer.**

(a) **Restrictions Not Applicable to Certain Transfers.** All provisions of the Regulatory Agreement regarding the sale or transfer of the Project or of any interest in the Borrower, including any requirement, limitation or condition precedent for any of (i) the

consent of the Issuer or the Trustee to such transfer, (ii) an agreement by any transferee to abide by the requirements and restrictions of the Regulatory Agreement, (iii) transferee criteria or other similar requirements, (iv) an opinion of legal counsel and (v) the payment of any assumption fee, transfer fee, penalty or other charges, shall not apply to any of the following:

- (1) any transfer of title to the Project to Fannie Mae or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of any lien on the Project or to any subsequent transfer by Fannie Mae (or a third party) following such foreclosure, deed in lieu of foreclosure or comparable conversion;

Notwithstanding the foregoing, the Borrower and Fannie Mae agree that a purchaser may not succeed to the interest of the Borrower in the project pursuant to a foreclosure sale or otherwise as described above, if the proposed transferee is ineligible to participate in the Issuer's program pursuant to Section 420.507(35), Florida Statutes, and the regulations promulgated thereunder.

(b) **Fannie Mae Rights to Consent Not Impaired.** Nothing contained in the Regulatory Agreement shall affect any provision of the Lender Security Instrument or any of the other Loan Documents which requires the Borrower to obtain the consent of Fannie Mae as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower, excluding transfers permitted by the Lender Security Instrument. In addition, the Issuer shall not exercise its right under Section 19 of the Regulatory Agreement to change the property manager without obtaining the prior written consent of the Lender, which such consent shall be governed by the terms and conditions of the Loan Documents.

(c) **Conclusive Evidence.** Any written consent to a sale or transfer obtained from the Issuer shall constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions of the Regulatory Agreement.

7. **Damage, Destruction or Condemnation of the Project.** In the event that the Project is damaged or destroyed or title to the Project, or any part thereof, is taken through the exercise or the threat of the exercise of the power of eminent domain, the Borrower shall comply with all applicable requirements of the Lender Security Instrument and the other Lender Loan Documents.

8. **Regulatory Agreement Default.** Notwithstanding anything contained in the Regulatory Agreement to the contrary:

(a) The occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Lender Security Instrument.

(b) The occurrence of an event of default under the Regulatory Agreement shall not be or be deemed to be a default under the Lender Loan Documents, except as may be otherwise specified in the Loan Documents.

(c) Upon any default by the Borrower under the Regulatory Agreement, the Subordination Agreement shall govern the remedies and other actions which the Issuer may take on account of such default.

9. **Amendments.** The Issuer shall not consent to any amendment, supplement to, or restatement of the Regulatory Agreement without the prior written consent of Fannie Mae.

10. **Termination.** The Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee, the Lender and the Borrower upon receipt of an opinion of a nationally recognized bond counsel selected by the Issuer and acceptable to the Trustee that such termination will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income purposes. So long as the Bonds have been redeemed or are redeemed within a reasonable period thereafter, the Regulatory Agreement shall terminate and be of no further force or effect from and after the date of any transfer of title to the Project by foreclosure, deed in lieu of foreclosure or comparable conversion of any lien on the Project; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained in the Regulatory Agreement shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes.

11. **Third-Party Beneficiary.** The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Fannie Mae and are entered into for the benefit of various parties, including Fannie Mae. Fannie Mae shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer and/or the Trustee, or to cause the Issuer or the Trustee to enforce, the terms of the Regulatory Agreement. In addition, the Borrower and the Issuer intend that Fannie Mae be a third-party beneficiary of the Regulatory Agreement.

12. **Copies of Notices under the Regulatory Agreement.** Copies of all notices under the Regulatory Agreement shall be sent to the Loan Servicer at the address set forth below or to such other address as the Loan Servicer may from time to time designate:

SunTrust Bank
8245 Boone Boulevard,
Suite 710
Vienna, VA 22182

13. **Notices.** Any notice to be given to Fannie Mae shall be sent to Fannie Mae at the address set forth below or to such other address as Fannie Mae may from time to time designate:

Fannie Mae
3900 Wisconsin Avenue, NW
Drawer AM
Washington, DC 20016-2892
Attention: Director, Multifamily Asset Management
Telephone: (301) 204-8008
Facsimile: (301) 280-2065

RE: Caroline Arms Apartments – SunTrust Bank

with a copy to:

Fannie Mae
3900 Wisconsin Avenue, NW
Drawer AM
Washington, DC 20016-2892
Attention: Vice President, Multifamily Operations
Telephone: (301) 204-8422
Facsimile: (202) 752-8369

RE:
Caroline Arms Apartments – SunTrust Bank

**COMPLIANCE MONITORING AGREEMENT
(CAROLINE ARMS APARTMENTS)**

THIS COMPLIANCE MONITORING AGREEMENT (the "Agreement") is made as of June 1, 2018, by and among the **JACKSONVILLE HOUSING FINANCE AUTHORITY**, a public corporation and a public body corporate and politic duly created and existing under the laws of the State of Florida (the "Issuer"), **SELTZER MANAGEMENT GROUP, INC.** (the "Compliance Monitoring Agent"), **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, Jacksonville, Florida, a national banking association, in its capacity as trustee (in such capacity, the "Trustee"), and **CAROLINE ARMS PRESERVATION LTD.**, a Florida limited partnership (the "Borrower").

W I T N E S S E T H:

WHEREAS, all capitalized terms in this Agreement not otherwise defined shall have the meanings set forth in the Indenture (hereinafter defined); and

WHEREAS, the Issuer has been created and organized pursuant to and in accordance with the provisions of Chapter 159, Part IV, Florida Statutes, as amended (the "Act"), for the purpose, among others, of financing the costs of residential developments that will provide decent, safe and sanitary housing for persons or families of low, moderate or middle income in Duval County, Florida (the "County"); and

WHEREAS, the Act authorizes the Issuer; (a) to make loans to sponsors to provide financing for residential developments located within the County, and intended to be occupied to the extent required by applicable state or federal tax law by persons or families of low, moderate and middle income; (b) to issue revenue bonds for the purpose of obtaining monies to make such loans and provide such financing and to pay administrative costs and other costs incurred in connection with the issuance of such bonds; and (c) pledge all or any part of the revenues and receipts to be received by the Issuer from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, pursuant to resolutions of the Issuer adopted on March 21, 2018 and June 18, 2018, respectively, the Issuer has authorized, approved and issued \$12,800,000 aggregate principal amount of its Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the "Bonds") pursuant to that certain Trust Indenture dated as of June 1, 2018 between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, pursuant to its lawful authority under the Act, the Issuer has entered into that certain Loan Agreement dated June 1, 2018 (the "Loan Agreement"), by and between the Issuer and the Borrower, by the terms of which the Issuer has agreed to loan the proceeds of the Bonds to the Borrower (the "Loan") for the purpose of providing funds to acquire, rehabilitate

and equip a multifamily residential development located on property within the County, to be known as Caroline Arms Apartments (the "Property"); and

WHEREAS, the Loan will be secured by that certain promissory note, in the principal amount of \$12,800,000 dated as of June 1, 2018 (the "Note"), from the Borrower to the Issuer; and

WHEREAS, the Issuer intends to assign the Note and other instruments securing repayment of the Note, to the Trustee for the benefit of the holders of the Bonds, as their interests may appear; and

WHEREAS, to assure compliance with certain requirements of the Internal Revenue Code of 1986, as amended, and certain other requirements of the Issuer with respect to the operation of the Property, the Issuer, the Trustee and the Borrower have entered into that certain Land Use Restriction Agreement dated as of June 1, 2018 (the "Land Use Restriction Agreement"); and

WHEREAS, the Compliance Monitoring Agent has represented and warranted that it is duly qualified and authorized to engage in the business of administering loans of the type of the Loan referred to herein; and

WHEREAS, the Compliance Monitoring Agent shall act as agent of the Issuer in performing certain functions under the Indenture, the Loan Agreement and the Land Use Restriction Agreement, and shall monitor tenant eligibility with respect to the Property subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, Ten Dollars (\$10) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. DEFINITIONS. The following definitions shall apply as context may require in this Agreement:

A. "Improvements" -- All improvements described in the plans for the Property (the "Plans") and all additions and equipment reasonably necessary to construct, equip, renovate, operate and rent the Property, including all amenities. Without limiting the foregoing, the term Improvements shall include all landscaping, walls, drives, approaches, sidewalks, curbs, paving and all chattels, furniture, furnishings and equipment described in the Plans.

B. "Loan Documents" -- Collectively, this Agreement, the Note, the Loan Agreement, the Land Use Restriction Agreement and the Indenture and all other documents and instruments evidencing, securing or guaranteeing payment of the Loan, or any portion thereof.

C. "Property" -- The real property described in Exhibit "A", which is attached hereto and by this reference made a part hereof, and the Improvements.

D. "Title Insurance Policy" -- Policy issued pursuant to mortgagee title insurance Commitment No. [] issued by Fidelity National Title Insurance Company and all endorsements issued as required by this Agreement as of the date of reference.

2. **TERM.** This Agreement shall continue from the earlier of the date of this Agreement or from the date the Compliance Monitoring Agent shall begin compliance monitoring for the Issuer until occurrence of the first of the following events:

A. The end of the Qualified Project Period (as defined in the Land Use Restriction Agreement).

B. Termination of this Agreement as to the Compliance Monitoring Agent pursuant to Section 11 hereof.

3. **SERVICING OF THE LOAN.** The Compliance Monitoring Agent shall provide the services required of the "Issuer Servicer" under the Loan Documents, including, without limitation, monitoring the Property and compliance by the Borrower with the requirements of the Land Use Restriction Agreement, exercising the same degree of care in performing its obligations under this Agreement as is customary in the industry for financial institutions which service real estate loans for their own portfolios and on behalf of others. The Issuer agrees that it will do and perform all things reasonably necessary to assist the Compliance Monitoring Agent in performing its obligations hereunder and under the Loan Documents.

4. **COMPENSATION OF THE COMPLIANCE MONITORING AGENT.** The Borrower shall pay to the Trustee for payment to the Compliance Monitoring Agent for the services rendered by the Compliance Monitoring Agent hereunder in accordance with the following provisions:

A. The annual compensation of the Compliance Monitoring Agent for the compliance monitoring services specified hereunder shall be paid semi-annually by the Borrower on each June 1st and December 1st, commencing upon notification to the Trustee, and the Borrower of the issuance of an initial certificate of occupancy, in an amount equal to 4 basis points (.04%) of the original Bond amount. In the event the Bonds are paid off and the Qualified Project Period has not ended, the fee will be set at the minimum of \$4,024.32 until the Period has ended. Every January 1st, the minimum would be adjusted, but not decreased, based on the South Region Consumer Price Index for the twelve month period ending each November 30th.

An additional fee of \$177 per hour shall be paid by Borrower for follow-up reviews and/or extraordinary compliance monitoring services.

B. The Compliance Monitoring Agent's rights to compensation hereunder for compliance monitoring shall cease upon the later to occur of:

(1) the end of the Qualified Project Period; or

(2) notification by the Issuer to the Compliance Monitoring Agent that its services or this Agreement shall be terminated by the Issuer or the Trustee with the Issuer's consent, with or without cause.

C. Any fees not paid by the Borrower may be paid by the Trustee (from amounts available under the Indenture) and charged against the Loan unless Borrower gives Trustee written notice that such fees are disputed prior to such fee being paid by the Trustee.

5. INSURANCE TO BE MAINTAINED BY THE COMPLIANCE MONITORING AGENT. The Compliance Monitoring Agent shall maintain at all times during the existence of this Agreement, at its own expense, blanket fidelity insurance and errors and omissions insurance covering the Compliance Monitoring Agent's officers and employees and other persons acting on behalf of the Compliance Monitoring Agent relating to the Compliance Monitoring Agent's performance of this Agreement. The amount of coverage of such policies shall be acceptable to the Issuer. All such policies of insurance shall be issued by an insurance company, with coverage satisfactory to the Issuer and the Compliance Monitoring Agent and shall name the Issuer and the Trustee as the insured under said policies.

6. NOTIFICATION TO THE ISSUER AND THE TRUSTEE. The Compliance Monitoring Agent shall promptly notify the Issuer, the Borrower and the Trustee in writing of any of the following which may come to the attention of the Compliance Monitoring Agent:

A. Any failure of the Borrower to perform any covenant or obligation, applicable to it, under the Loan Documents (of which the Compliance Monitoring Agent has knowledge) if such failure continues for a period of fifteen (15) days, or lesser period, if so provided in any Loan Document.

B. Abandonment of the Property.

C. Any lack of repair or the deterioration or waste suffered or committed in respect to the Property.

D. Any other matter which would adversely or materially affect or result in diminution of value of the Property.

E. Any loss or damage by fire or any hazard to the mortgaged property requiring repairs costing in excess of FIFTEEN THOUSAND AND 00/100 (\$15,000) DOLLARS to restore the Property of its condition prior to such loss or damage.

7. **DEFAULT OF BORROWER.** The Compliance Monitoring Agent shall not at any time, without the express written consent of the Issuer and the Trustee, consent to a postponement of compliance on the part of the Borrower with any of the terms and provisions of the Loan Agreement, the Land Use Restriction Agreement, or any other Loan Document, or in any manner grant an extension or waiver to the Borrower.

8. **REPRESENTATIONS OF THE COMPLIANCE MONITORING AGENT.** The Compliance Monitoring Agent covenants, warrants and represents to the Issuer and the Borrower as follows:

A. The Compliance Monitoring Agent is a duly organized corporation under the laws of the State of Florida, is in good standing in the State of Florida, and is authorized to do business in the State of Florida; that it is authorized to execute, deliver and perform this Agreement and all other documents and agreements required hereunder, and in so doing, that it will not violate any law, any provision of its charter or bylaws or any other agreement of instrument binding upon it.

B. The Compliance Monitoring Agent shall comply with all applicable laws and the provisions of the Loan Documents, as applicable.

C. The Compliance Monitoring Agent shall cause any funds advanced to the Compliance Monitoring Agent by the Trustee under this Agreement to be deposited with a financial institution, the deposits of which are insured by FDIC or by any successor agency or instrumentality of the United States government; and will cause such financial institution to designate said funds as escrow funds for the benefit of the Trustee; and will cause such financial institution to execute an agreement providing that it will not exercise any powers of right of offset or banker's lien against such escrow funds.

D. The Compliance Monitoring Agent hereby waives and releases any lien or encumbrances which it might at any time have or be able to claim against any property or funds held by the Trustee or the Issuer.

9. **BORROWER'S REPRESENTATIONS AND WARRANTIES.** The Borrower represents and warrants to the Compliance Monitoring Agent that it may rely on the representations and warranties made by Borrower to the Issuer as set forth in the Loan Agreement and the Land Use Restriction Agreement.

10. **COVENANTS OF THE BORROWER.** The Borrower covenants and agrees with the Issuer, the Trustee and the Compliance Monitoring Agent as follows:

A. **Right of Entry.** The Borrower shall permit the Issuer, the Trustee and the Compliance Monitoring Agent and their authorized employees, agents or representatives to enter upon the Property after reasonable prior notice during normal business hours to inspect the Improvements and all books and records related to the

Property of the Borrower and will cooperate with the Issuer, the Compliance Monitoring Agent, the Trustee and its representatives to enable them to perform their functions hereunder. It is expressly agreed that any inspection made by the Issuer, the Trustee and the Compliance Monitoring Agent, or their representatives shall be made solely and exclusively for the protection and benefit of each of them and neither the Borrower nor any third party shall be entitled to claim, any loss or damage either against the Issuer, the Trustee and the Compliance Monitoring Agent, or their employees, agents or representatives for failure to properly discharge any alleged duties of the Issuer, the Trustee and the Compliance Monitoring Agent, and they shall have no duty to make such inspections.

B. Additional Documents. The Borrower agrees to execute any and all such other and further instruments as may reasonably be required by the Issuer or the Trustee from time to time in order to carry out the provisions of this Agreement, the Loan Documents or for the purpose of protecting, maintaining, or enforcing the Issuer's and the Trustee's security for the Loan.

11. TERMINATION.

A. By the Issuer. The Issuer shall have the right to terminate the Compliance Monitoring Agent's rights and obligations under this Agreement, without cause, upon ten (10) days' written notice to the Compliance Monitoring Agent, and with cause, upon such written notice as the Issuer deems reasonable under the circumstances.

B. Automatic Termination. Upon the occurrence of any one or more of the following events, this Agreement shall be automatically terminated:

(1) The Compliance Monitoring Agent shall assign or attempt to assign its rights or obligations under this Agreement.

(2) The Compliance Monitoring Agent shall institute proceedings for voluntary bankruptcy or shall file a petition seeking reorganization under the Federal Bankruptcy Laws or for relief under any other law for the relief of debtors or shall consent to the appointment of a receiver of all or substantially all of its property, or make a general assignment for the benefits of its creditors, or shall admit in writing its inability to pay its debts as they become due, or shall be adjudicated bankrupt or insolvent by a court of competent jurisdiction, or if an order shall be made by a court of competent jurisdiction appointing a receiver, liquidator or trustee of the Compliance Monitoring Agent or of all or substantially all of its property or approving any petition filed against the Compliance Monitoring Agent for its reorganization, and such adjudication or order shall remain in force or unstayed for a period of thirty (30) days.

(3) The Compliance Monitoring Agent shall fail to perform any of its obligations hereunder and shall fail, within thirty (30) days after written notice from the Trustee or the Issuer, to correct or cure such failure.

(4) The Property is no longer subject to the Land Use Restriction Agreement.

C. Effect of Termination. In the event this Agreement is terminated pursuant to this Section 11, then the rights and obligations of the Compliance Monitoring Agent and its right to compensation hereunder shall immediately terminate. The Compliance Monitoring Agent shall forthwith deliver to the Issuer or to whomever the Issuer directs, all documents relating to the Loan and shall do such other acts as may reasonably be required by the Issuer to facilitate the termination hereof.

12. TENANT ELIGIBILITY. The Compliance Monitoring Agent shall be responsible for the following with respect to the Property:

A. Conduct on-site management reviews of the Property at least annually. Such reviews shall include examination of tenant files, a review of administration procedures, and a physical inspection of the Property. The Compliance Monitoring Agent shall also prepare a written Management Review and Inspection Report and distribute copies to the on-site manager, the Borrower, the management company, the Trustee and the Issuer. Such report shall include a statement as to the compliance by the Borrower with its obligations under the Land Use Restriction Agreement. Such management reviews shall be conducted through the Qualified Project Period, as extended, or until no Bonds are outstanding, whichever is later.

B. Review Program Reports and Tenant Income Certifications and re-certifications for completeness, tenant income eligibility and timeliness of completion. The Compliance Monitoring Agent shall contact management personnel regarding any discrepancies and follow-up with respect thereto until required corrections are made and provide copies of any correspondence with respect thereto to the Issuer.

C. Provide the Issuer with occupancy information from each Program Report in the format provided by the Issuer.

D. In addition, the Compliance Monitoring Agent shall:

(1) Be available to answer telephone inquiries relating to bond program requirements.

(2) Keep the Issuer apprised of scheduled activities, any compliance problems as such occur, and changes in apartment management personnel.

(3) Provide the Issuer with copies of all correspondence relating to the Property.

13. MISCELLANEOUS PROVISIONS.

A. No Waiver. Nothing herein shall be construed to waive or diminish any right or security of the Issuer or the Trustee under the Loan Agreement and the Land Use Restriction Agreement. It is the purpose and intent hereof to provide safeguards, protections and rights for the Issuer and the Trustee in addition to those provided in the Loan Agreement.

B. Cumulative Remedies. The remedies provided herein shall be in addition to and not a substitution for the rights and remedies which would otherwise be vested under any Loan Document or in law or equity, all of which rights and remedies are specifically reserved. The remedies herein provided or otherwise available to the Issuer, the Trustee or the Compliance Monitoring Agent shall be cumulative and may be exercised separately or concurrently and as often as the occasion therefor may arise. The failure to exercise any of the remedies herein shall not constitute a waiver thereof, nor shall use of any of the remedies hereby provided prevent the subsequent or concurrent use of any other remedy or remedies. It is intended that this clause shall be broadly construed so that all remedies herein provided or otherwise available to the Issuer, the Trustee or the Compliance Monitoring Agent shall continue and be each and all available until all sums due by reason of the Loan Agreement are paid in full and all obligations incurred by the Borrower in connection with the construction or operation of the Improvements have been fully discharged.

C. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their heirs, legal representatives, successors and assigns. The Borrower may be released from obligations and agreements hereunder only by a written instrument of the Trustee and the Issuer specifically providing for such release. The Borrower shall be released from any and all liability hereunder, upon payment of the Loan in full and expiration of the Qualified Project Period.

D. Assignability. This Agreement shall not be assignable by the Borrower or Compliance Monitoring Agent without the prior written consent of the Issuer and the Trustee. If the Issuer and the Trustee approve an assignment hereof by the Borrower, the Trustee shall be entitled to make advances to such assignee and such advances shall be secured by the Loan Documents.

E. Governing Law. This Agreement shall be construed under the laws of the State of Florida, regardless of where it may have been executed or delivered. Any action to enforce or interpret this Agreement, whether arising in contract or tort, by statute or otherwise, may be brought in or removed to a state or federal court of competent

jurisdiction in or for Duval County, Florida, and the parties hereto hereby submit itself to the jurisdiction of said courts.

F. Construction. Whereas this Agreement was negotiated with input from all parties hereto, this Agreement shall not be construed more strongly against any party regardless of who was more responsible for its preparation.

G. [Reserved].

H. Invalid Provisions. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable law and are intended to be limited to the extent necessary so that they will not render this Agreement invalid, illegal, or unenforceable under any applicable law. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of the other terms of this Agreement shall in no way be affected thereby, nor shall such terms be invalid or unenforceable under other, dissimilar facts and circumstances.

I. Headings. The paragraph headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning, content, or interpretation hereof.

J. Amendments. This Agreement shall not be amended or modified except by an amendment in writing, executed by all parties hereto in the same form as this Agreement. The Issuer reserves the right to amend this Agreement to comply with federal and state laws and regulations.

K. Time of Essence. Time is of the essence of this Agreement.

L. Right to Publicize. The Issuer and the Compliance Monitoring Agent shall have the right to publicize its involvement in the financing of the Property and may require the Borrower to name the Issuer in all publicity releases and promotional materials issued in connection with the Property.

M. Dealings with the Compliance Monitoring Agent. The Compliance Monitoring Agent shall be protected and shall incur no liability in acting or proceeding in good faith upon resolution, notice, telegram, consent, waiver, certificate, affidavit, voucher, bond, title insurance commitment or policy or endorsement thereto or other paper or document which it shall in good faith reasonable believe (i) to be genuine and, (ii) to have been passed or prepared and furnished pursuant to the provisions of the Indenture, the Land Use Restriction Agreement or the Loan Agreement, and the Compliance Monitoring Agent shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements unless the instrument on its face reasonably indicated that the Compliance Monitoring Agent should inquire further or unless the Compliance

Monitoring Agent has actual knowledge or information which reasonably should cause the Compliance Monitoring Agent to inquire further. The Compliance Monitoring Agent shall not be held liable under this Agreement except for its own negligence or willful misconduct. The Borrower shall indemnify and hold the Compliance Monitoring Agent harmless from any claim, action or liability of any kind or character whatsoever arising from or in any way related to acts or omissions of the Borrower or any of its agents, employees, consultants, counsel, or independent contractors. This paragraph shall in no way be construed to relieve the Compliance Monitoring Agent of the normal and usual duties of a reasonably prudent loan servicer or monitoring agent.

N. Terms. Wherever used herein, the terms utilized shall include masculine, feminine, neuter, singular and/or plural, as the context admits or requires.

O. Conflicts. Notwithstanding anything herein to the contrary, the terms and conditions of the Loan Agreement shall govern, control and prevail, in the event of any conflict between the terms and conditions hereof and those contained in the Loan Agreement.

14. REMEDIES. Subject to the applicable terms, conditions and restrictions set forth in the Land Use Restriction Agreement, upon the occurrence of any Event of Default which is not cured within the applicable cure period, the Issuer (or the Trustee or the Compliance Monitoring Agent) shall be entitled to seek specific performance hereof against the Borrower, and/or in addition to any other right or remedy available to it in law or equity. It is specifically agreed by the Borrower that a violation of this Agreement or the Land Use Restriction Agreement could cause harm for which no damages could be calculated, therefore entitling the Issuer to immediate equitable relief, including without limitation a temporary restraining order or mandatory injunction without notice.

15. NOTICES. Any notice required to be given hereunder shall be given by personal delivery, by registered U.S. mail or by expedited service at the addresses specified below or at such other addresses as may be specified in writing by the parties hereto, and any such notice shall be deemed received on the date of delivery if by personal delivery or expedited delivery service, or upon actual receipt of sent by registered U.S. Mail.

The Issuer:	Jacksonville Housing Finance Authority
	214 N. Hogan Street, 7 th Floor
	Jacksonville Florida 32202
	Attention: Finance Director
	Telephone: (904) 255 8200
	Telecopier: (904) 255-8244

The Trustee: The Bank of New York Mellon Trust Company, N.A.
10161 Centurion Parkway N.
Jacksonville, Florida 32256
Attention: Corporate Trust Department
Telephone: (904) 645-1900
Telecopier: (904) 645-1930

The Borrower: Caroline Arms Preservation, Ltd.
c/o Lincoln Avenue Capital, LLC
595 Madison Avenue
Suite 1601 New York, New York 10022
Attention: [_____]
Telephone: [_____]

With copies to: Stearns Weaver Miller Weissler
Alhadeff & Sitterson, P.A.
150 W. Flagler Street
Miami, Florida 33130
Attention: Brian McDonough
Telephone: (305) 789-3350
Email: bmcdonough@stearnsweaver.com

To the Investor
Limite Partner: Synovus Bank
1127 First Avenue
Columbus, Georgia 31901
Attention:
Telephone:
Email:

With copies to: Kutak, Rock LLP
303 Peachtree Street, NE,
Suite 2750
Atlanta, Georgia
Attention: Patricia Luna
Telephone: (404) 222-4672
Email: Patricia.Luna@KutakRock.com

The Compliance
Monitoring Agent: Seltzer Management Group, Inc.
17633 Ashley Drive
Panama City, FL 32413
Attention: Ben Johnson
Telephone: (850) 233-3616 ext. 223
Telecopier: (813) 233-1429

16. **ENTIRE AGREEMENT.** This Agreement sets forth the entire agreement among the Issuer, the Compliance Monitoring Agent, the Trustee and the Borrower as to the subject matter hereof, and all prior agreements, negotiations and understandings with respect thereto are merged into and superseded by this Agreement.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in their respective names by their duly authorized representatives as of the day and year first set forth above.

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Name: Bryan Hartnett
Title: President

[Compliance Monitoring Agreement – Caroline Arms Apartments]

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

By: _____

Name: William I. Gulliford, III

Title: Chair

[SEAL]

[Compliance Monitoring Agreement – Caroline Arms Apartments]

SELTZER MANAGEMENT GROUP, INC.,
a Florida corporation

By: _____

Print:

Title:

[Compliance Monitoring Agreement – Caroline Arms Apartments]

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By: _____

Name: Janalee R. Scott

Title: Vice President

[Compliance Monitoring Agreement – Caroline Arms Apartments]

EXHIBIT A
LEGAL DESCRIPTION

**CONSTRUCTION AND LOAN SERVICING AGREEMENT
(CAROLINE ARMS APARTMENTS)**

This **CONSTRUCTION AND LOAN SERVICING AGREEMENT** (this "Agreement") is made as of June 1, 2018, by and among the **JACKSONVILLE HOUSING FINANCE AUTHORITY** a public body corporate and politic duly created and existing under the laws of the State of Florida (the "Issuer"), **SELTZER MANAGEMENT GROUP, INC.** (the "Compliance Monitoring Agent"), **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, Jacksonville, Florida, a national banking association, in its capacity as trustee (in such capacity, the "Trustee"), and **CAROLINE ARMS PRESERVATION LTD.**, a Florida limited partnership (the "Borrower").

WITNESSETH:

WHEREAS, all capitalized terms in this Agreement not otherwise defined shall have the meanings set forth in the Loan Agreement (hereinafter defined) and the Indenture (hereinafter defined); and

WHEREAS, the Issuer has been created and organized pursuant to and in accordance with the provisions of Chapter 159, Part IV, Florida Statutes, as amended (the "Act"), for the purpose, among others, of financing the costs of residential developments that will provide decent, safe and sanitary housing for persons or families of low, moderate or middle income in Duval County, Florida (the "County"); and

WHEREAS, the Act authorizes the Issuer; (a) to make loans to finance residential developments located within the State, and intended to be occupied by persons or families of low, moderate and middle income; (b) to issue revenue bonds for the purpose of obtaining monies to make such loans and provide such financing and to pay administrative costs and other costs incurred in connection with the issuance of such bonds; and (c) pledge all or any part of the revenues and receipts to be received by the Issuer from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, pursuant to resolutions of the Issuer adopted on March 21, 2018 and June 18, 2018, respectively, the Issuer has authorized, approved and issued \$12,800,000 aggregate principal amount of its Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the "Bonds") pursuant to that certain Trust Indenture dated as of June 1, 2018 between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, pursuant to its lawful authority under the Act, the Issuer and the Borrower have entered into that certain Loan Agreement dated as of June 1, 2018 (the "Loan Agreement"), by the terms of which Loan Agreement the Issuer has agreed to loan the proceeds of the Bonds to the Borrower (the "Loan") for the purpose of providing funds to acquire, rehabilitate and

equip a multifamily residential development located on property within Duval County, Florida, to be known as Caroline Arms Apartments (the "Development"); and

WHEREAS, the Loan will be secured by that certain promissory note in the principal amount of \$12,800,000 dated as of June 1, 2018 (the "Note"); and

WHEREAS, the Issuer intends to assign the Note and other instruments securing repayment of the Note, to the Trustee; and

WHEREAS, the Issuer Servicer has represented and warranted that it is duly qualified and authorized to engage in the business of administering loans of the type of the Loan referred to herein; and

WHEREAS, the Issuer Servicer shall act as agent of the Issuer in performing certain functions under the Loan Documents (as defined below), and shall manage and service the Regulatory Agreement (as defined below) on behalf of the Issuer, subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, Ten Dollars (\$10) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. DEFINITIONS. Capitalized terms used herein and not defined below shall have the meanings ascribed to them in the Indenture. The following definitions shall apply as context may require in this Agreement:

A. "Agreement" -- This Construction and Loan Servicing Agreement, as from time to time amended, modified or supplemented.

B. "Architect" – Gallo Herbert Architects.

C. "Budget" -- The proposed budget for the Improvements which is attached hereto as Exhibit "B" and by this reference made a part hereof, which contains a construction schedule of the Improvements, as amended in accordance with the terms hereof, including, without limitation, amendments resulting from change orders approved in accordance with the terms hereof.

D. "Completion Date" – August 1, 2019, unless otherwise extended with the written consent of the Lender and the Issuer Servicer.

E. "Consulting and Inspecting Engineer" – Partner Engineering and Science, Inc.

F. "Construction Contract" -- That certain Standard Form of Agreement between the Borrower and the Contractor, dated [_____] regarding the rehabilitation of the Improvements.

G. "Contractor" -- Pyramid ETC Companies, LLC a New Jersey Limited Liability Company, and its successors.

H. "Costs of the Improvements" -- All direct and indirect costs, including interest costs, required to be expended by the Borrower to comply with requirements of this Agreement, specifically including items set forth in the Budget. The Cost of the Improvements shall include the reasonable cost of labor and materials actually expended or incurred by the Borrower and incorporated in the Improvements on the Land, as well as interest costs and issuance costs and fees associated with the closing of the Loan and the issuance of the Bonds (excluding any fees and profit of the Borrower), and include materials stored on the Land.

I. "Development" -- The real property described in Exhibit "A", which is attached hereto and by this reference made a part hereof, and the Improvements.

J. "Events of Default" -- Those events of default as defined in Paragraph 18 of this Agreement.

K. "Force Majeure" -- An act of God, strikes, lockouts, act of public enemy, lightning, fire, storm, flood, or any other cause of delay beyond the reasonable control of the party claiming the applicability of the Force Majeure doctrine (financial inability excepted).

L. "General Partner" --Affordable Housing Institute, Inc., as general partner of the Borrower.

M. "Improvements" -- All improvements described in the plans for the Development (the "Plans and Specifications") and all additions and equipment reasonably necessary to rehabilitate, equip, renovate, operate and rent the Development, including all amenities. Without limiting the foregoing, the term Improvements shall include all landscaping, walls, drives, approaches, sidewalks, curbs, paving and all chattels, furniture, furnishings and equipment described in the Plans.

N. "Inspecting Engineer" -- [_____].

O. "Land" -- The real property described in Exhibit "A", which is attached hereto and by this reference made a part hereof.

P. "Lender" -- SunTrust Bank, a Georgia banking corporation and its successors and assigns.

Q. "Loan" -- The loan contemplated by the Loan Agreement in an original amount of \$12,800,000.

R. "Loan Documents" -- Collectively, this Agreement, the Note, the Loan Agreement, the Regulatory Agreement and the Indenture and all other documents and instruments evidencing, securing or guaranteeing payment of the Loan, or any portion thereof.

S. ""Plans and Specifications" -- The final plans and specifications for the Improvements heretofore approved by the Issuer and the Inspecting Engineer or their respective agents together with any and all amendments and modifications thereto made with the approval of the Issuer or its agent or otherwise in accordance with the terms hereof. (It is understood that the Plans and Specifications shall be construed in such manner so that any works, structures or parts thereof mentioned or shown in the Plans and Specifications and not mentioned or shown in the specifications, or vice versa, are to be constructed and erected as if they were in fact reflected in the Plans and Specifications.)

T. "Regulatory Agreement" -- The Land Use Restriction Agreement, dated as of June 1, 2018, by and among the Issuer, the Trustee and the Borrower.

U. "State" -- The State of Florida.

2. TERM. This Agreement shall continue from the earlier of the date of this Agreement or from the date the Issuer Servicer shall begin servicing the Loan for the Issuer until occurrence of the first of the following events:

A. The Loan shall be paid in full.

B. Termination of this Agreement as to the Issuer Servicer, with or without cause, pursuant to Paragraph 16 hereof.

C. Assignment of all right, title and interest of the Issuer to a third party which terminates the interests of the Issuer.

3. SERVICING. The Issuer Servicer shall perform the services of the Issuer Servicer provided for in the Loan Documents.

A. Construction Servicing. During the period of rehabilitation of the Improvements, the Issuer Servicer and/or its contractor shall be responsible for monitoring the progress of the rehabilitation work on behalf of the Issuer as follows:

1. The Issuer Servicer and/or its contractor shall attend all draw meetings, if any, and represent the Issuer with respect to approving all construction draws. The Issuer Servicer shall approve the draw only if all documents are appropriate, accurate and supported by proper documentation in accordance with the plans, specifications and construction contract.

2. The Issuer Servicer and/or its contractor shall make site visits sufficient to verify that the work is being performed in accordance with the plans,

specifications, this Agreement and other construction documents. This includes (a) verifying the quality of the work and the materials incorporated therein, (b) determining that the Architect is providing proper inspections of the Development in accordance with its contract, (c) notifying appropriate parties if the Issuer Servicer becomes aware that any unhealthful or unsafe condition exists at the Development, (d) comparing waivers of and lien of materialmen and affidavits of contractor and subcontractor with Notice-to-Owner forms, and verifying that no payments are being improperly made, and (e) such other monitoring tasks as are customary and that minimize risk to the Development.

3. Provide monthly written reports to the Issuer confirming that all of the above are being performed in a manner consistent with the best interest of the project provided in sufficient detail to allow a reasonable person to assess the Development's status.

4. Upon completion of the Improvements, the Issuer Servicer shall provide the Issuer with the Architect's Certificate of Substantial Completion.

B. Permanent Loan Servicing. Following completion of the Improvements, Issuer Servicer shall perform servicing of the Loan as follows:

1. Establish a separate loan servicing file for the Property. The file shall contain copies of all closing documents pertaining to the Property.

2. Verify and confirm with quarterly reports to the Issuer (with a copy to the Trustee) the sufficiency of all insurance policies as to dollar amounts and the types of coverage required by the Issuer. Establish tickler files for the renewal or anniversary premium payment dates of all policies. In the event of loss, the Issuer Servicer will administer the restoration program.

3. Provide monthly loan servicing reports to the Issuer.

C. Continuing Duties of the Issuer and the Trustee. In connection with the construction period, the Issuer, the Borrower and the Trustee agree that:

1. They shall do and perform all things reasonably necessary to assist the Issuer Servicer in servicing the Loan;

2. Borrower shall direct investment of the proceeds of the Bonds in accordance with the Indenture in such manner as will insure that such proceeds will be available to be disbursed at such reasonable times as proceeds of the Loan are required to be disbursed by the Trustee under this Agreement and substantially in accordance with the Draw Schedule attached hereto as Exhibit "B" and by this reference made a part hereof.

4. COLLECTION AND DEPOSIT OF PAYMENTS. The Issuer Servicer shall confirm that the Trustee has received each payment due under the Note, as due, and if not, shall assist the Issuer and the Trustee in the enforcement of their rights pursuant to the Loan

Documents. The Trustee shall receive each payment made under the Loan Documents and shall notify the Issuer Servicer and the Borrower in writing if payment is not made when due.

5. ADVANCES DURING REHABILITATION. The Issuer and the Trustee agree to make or cause to be made disbursements to the Borrower under the Indenture, the Loan Agreement and this Agreement of the proceeds of the Bonds in accordance with the Indenture, the Loan Agreement, the Budget, and in accordance with and subject to the procedures set forth below. The Budget may be amended by the Issuer Servicer from time to time, upon the written request of the Borrower; approval of such requests shall not be unreasonably withheld or delayed.

A. Requisition Request to be submitted to the Trustee, the Lender, and the Issuer Servicer:

1. At such time as the Borrower shall desire to obtain an advance, the Borrower shall complete, execute and deliver a Requisition Request, in the form as provided for in the Indenture, to the Lender and the Issuer Servicer. Each Requisition Request submitted by Borrower to obtain an advance under the Loan shall be signed by an authorized signatory of the Borrower. The Borrower shall not submit any Requisition Request to the Trustee until it has been approved by the Lender and the Issuer Servicer, and each Advance by the Trustee of the proceeds of the Bonds shall be subject to the prior approval of the Requisition Request by the Lender and the Issuer Servicer and to the other conditions precedent set forth in the Indenture and the Loan Agreement. Requisition Requests should be submitted to the Trustee without attachments, except as provided in the Indenture and the Loan Agreement. The Issuer Servicer shall approve or object to any Requisition Request within ten (10) Business Days of its submission together with all additional information required in connection with such Advance. If the Issuer Servicer neither approves nor objects within such time, its approval shall be deemed given; in such instances, the Issuer Servicer must sign the Requisition Request by the tenth (10th) Business Day and forward it, as if it had been approved. The Lender shall endeavor to approve or object to any Requisition Request within ten (10) Business Days of its submission, together with all additional information required in connection with such Advance, but shall require at least two (2) Business Days after its receipt of the Issuer Servicer's approval before approving or objecting to the Requisition Request. Failure to approve a Requisition Request on the part of the Lender within such time shall not be deemed to be an approval of the Lender and under no circumstances shall the Trustee disburse a Requisition Request unless signed by the Lender.

2. Notwithstanding the foregoing, the Issuer Servicer shall not have the right to withhold its approval of any Requisition Request approved by the Lender unless, in the opinion of the Issuer Servicer, such Requisition Request would violate the terms of the Loan Documents, if such Requisition Request (1) (i) has been approved by the Consulting Engineer, (ii) complies with the Budget, as amended in accordance with the terms of the Loan Documents, (iii) is for work that is in substantial accordance with the Plans and Specifications, and (iv) is accompanied by lien waivers with respect to the prior Requisition Request or by evidence that

any liens which have been filed or for which notices of filing have been sent have been bonded to the satisfaction of the Title Company, or (2) if not approved, would jeopardize the coverage afforded by any Payment and Performance Bond. In addition, the Issuer Servicer shall not unreasonably withhold its approval of any Requisition Request otherwise approved by the Lender. In the event the Issuer Servicer withholds its approval of a Requisition Request which does not meet the requirements of subsections (1) and (2) of this paragraph, but which has otherwise been approved by the Lender, no funds shall be advanced for the disputed items (however, funds allocable to the items on such Requisition Request which are not disputed shall be available to be advanced) and the Lender and the Issuer Servicer shall submit the dispute to binding arbitration by a mutually acceptable single arbitrator selected by the Lender and the Issuer Servicer and experienced in the type of construction contemplated in this Agreement. The Lender and the Issuer Servicer shall use all reasonable efforts to complete such arbitration proceedings and obtain a decision within thirty (30) days.

B. The Issuer Servicer shall review each Requisition Request for compliance with this Agreement, the Land Use Restriction Agreement, draw schedule, budgets and time lines and all other Loan Documents; for compliance with the Plans and all legal requirements; and for compliance with the customary and usual construction and on disbursement practices for the geographical area in which the Property is located.

1. Where the Requisition Request includes amounts to be paid to the Contractor, such Requisition Request shall be accompanied by forms the same as or similar to AIA Form G702 and G703, to be reviewed and approved by the Issuer Servicer and executed by the Contractor and the Architect.

2. Where the Requisition Request relates to items other than payments for work performed under the Construction Contract or a subcontract, there shall be included a statement of the purpose for which the advance is desired and/or invoices for the same, as the Issuer Servicer shall reasonably require.

3. The Requisition Request shall be subject to the Inspecting Engineer verifying that the work has been accomplished in substantial accordance with the Plans so as to entitle the Borrower to the disbursement required.

4. The Issuer shall retain from each Requisition Request a sum equal to ten percent (10%) of the amount of each Requisition Request (less any soft costs which shall be fully funded) as retainage. The Requisition Request shall specify the amount of retainage. Upon completion of fifty percent (50%) of the Improvements (as certified by the Inspecting Engineer) no further retainage shall be withheld from subsequent requisitions. All retainage shall be released when the Improvements are one hundred percent (100%) complete and all conditions of paragraph G herein have been met. The final payment of any balance due the Contractor or any subcontractor (including materialman or suppliers within the term "subcontractor") shall be made after full and final completion subject to punch list of the work on the Improvements being done by the Contractor or such subcontractor, as certified by the

Borrower, the Issuer Servicer and the Inspecting Engineer, and delivery to the Issuer Servicer of a final mechanic's lien waiver and the other documents required in subparagraph G hereof, in a form reasonably approved by the Issuer Servicer and its counsel, at the time of final disbursement.

C. Non-Acceptance of Work. It is specifically understood and agreed that the making of any advance or advances, or part of any advance, shall not be construed as an approval or acceptance by the Issuer and the Trustee of the work theretofore done.

D. Notice, Frequency and Place of Disbursements. Each Requisition Request shall be submitted to the Issuer Servicer at least ten (10) business days prior to the date of the requested advance; disbursements shall be made no more frequently than monthly at the principal office of Trustee or at such other place as Trustee may designate. The provisions of this Paragraph shall not restrict the ability of the Trustee to make interest payments in accordance with the Indenture.

E. If an Event of Default has occurred and is continuing and all applicable cure periods have expired, the Trustee (at the direction of the Issuer but only with the written consent of the Lender) may make any or all advances for construction expenses directly to the Contractor for deposit in an appropriately designated special bank account and the execution of this Agreement by the Borrower shall, and hereby does, constitute an irrevocable authorization so to advance the proceeds of the Loan, subject, however, to the applicable provisions of this Agreement including, but not limited to the Lender's approval of all advances. No further authorization from the Borrower shall be necessary to warrant such direct advances to Contractor and all such advances shall satisfy pro tanto the obligations of the Issuer and the Trustee hereunder and shall be secured by the Note as fully as if made directly to the Borrower.

F. All advances or parts of advances including the initial advance will be made subject to the approval of the Issuer Servicer and to the following conditions precedent as to each advance (each of which the Borrower covenants to fulfill), satisfaction of which shall be evidenced by the Issuer Servicer's approval:

1. That the Borrower has fully complied with all of the provisions of the Loan Documents and is entitled to such advance, it being understood that the making of any advance or portion thereof when the Borrower is not so entitled will not constitute waiver of such compliance and that no event has occurred and is continuing which constitutes a "Default" or an "Event of Default" under any Loan Document.

2. That the Improvements have been constructed substantially in accordance with the Plans and all legal requirements, and that the Inspecting Engineer has made an inspection of and approves the work completed as represented in the current Requisition Request.

3. That the Issuer Servicer has been furnished with an affidavit executed by an authorized representative of the Borrower or its agent as to whether or not the

Borrower has been served with written notice that a lien may be claimed for any amounts unpaid for materials furnished or labor performed by any person, firm, entity or corporation furnishing materials or performing labor of any kind in the construction or installation of any of the Improvements. The date and manner of service shall be stated in such affidavit and a true and correct copy of each such notice shall be attached to the affidavit.

4. That the Borrower has procured or will procure verified and proper mechanic's lien waivers and receipted bills or receipts from the Contractor, any subcontractor or materialmen in a form reasonably satisfactory to the Issuer or the Issuer Servicer, showing payment of all parties who have furnished materials or performed labor of any kind pertaining to the construction or installation of any of the Improvements through the date of the previous disbursement. The Issuer, the Trustee, and the Issuer Servicer shall not be required nor be responsible to ascertain that any such bills are, in fact, paid. In the event a lien has been filed against the Land, the Issuer Servicer shall require such lien to be satisfied or bonded before approving a Requisition Request.

5. That the Borrower has furnished the Issuer Servicer reasonably satisfactory evidence that the undisbursed proceeds of the Loan together with projected earnings on invested funds under the Indenture and other identifiable funds available to the Borrower, including but not limited to capital contributions made or to be made under the Borrower's operating agreement will be sufficient to pay the cost of completing the Improvements (other than the deferred developer fee and other deferred fees to parties related to the Borrower) as required by the Loan Documents.

6. That the Improvements are not being constructed in violation of the Land Use Restriction Agreement or any covenants, restrictions, codes, or zoning ordinances affecting the Land.

7. That the Borrower and/or the Contractor have caused the Issuer Servicer to be provided with a list of all subcontractors and materialmen to be used on the Property, to be updated with each Requisition Request, and copies, certified by the Borrower and/or the Contractor to be true and correct, of all the contracts or subcontracts for all labor, material, equipment and furnishings to complete the Improvements.

8. That the Requisition Request is accompanied by a certificate on the part of the Architect that the work has been accomplished in substantial accordance with the Plans so as to entitle the Borrower to the disbursement requested.

G. Conditions to Final Advance. Prior to approving the final advance and release of any Retainage being held back hereunder, the Issuer Servicer shall have received (those items with * are necessary for releasing Retainage):

*1. each of the items specified in the foregoing subparagraphs F 2. through 8;

*2. such documents, if any, as may be required by the City, as appropriate for the issuance of a final certificate of occupancy;

*3. a certificate of substantial completion in a form reasonably acceptable to the Issuer (the AIA form G704 is acceptable to the Issuer);

*4. final lien waivers from all subcontractors and materialmen;

*5. an updated "as-built" survey of the Property recertified to the Issuer, the Issuer's counsel, the Title Company and the Trustee as of the Completion Date;

*6. a set of "as-built" Plans;

H. Continuing Duties of the Issuer Servicer after Construction.

Monitor any letters of credit or insurance policies issued or received in connection with the Land or the Property and do all things or take any actions necessary or appropriate on behalf of the Issuer and the Trustee to secure, or cause to be secured, the timely renewal thereof for such periods as such items are to be in force and effect by the Loan Documents; provided that the Issuer Servicer has received from the Trustee (from funds held under the Indenture available for such purpose) from time to time any fees or charges the Issuer Servicer requires to secure payment or the timely renewal of such items upon the Borrower's failure to do so. The Issuer Servicer shall provide timely notice to the Trustee and the Borrower of any failure by the Borrower to renew within thirty (30) days of expiration any such letters of credit or insurance policies.

The Trustee may rely upon the approval of a Requisition Request by the Lender and the Issuer Servicer to establish compliance by the Borrower with subparagraphs A, B, E and F above.

6. COMPENSATION OF THE ISSUER SERVICER. The Borrower shall provide for payment to the Issuer Servicer for the services rendered by the Issuer Servicer hereunder in accordance with the following provisions:

A. Construction Servicing. The Issuer Servicer Fee is payable directly by the Borrower to the Issuer Servicer; (i) during rehabilitation of the Development, (1) an in-house review fee of \$[____] per hour but not in excess of \$[____] per disbursement and (2) an on-site inspection fee of \$[____] per hour for services rendered but not in excess of \$[____] per disbursement, and (ii) a fee for extraordinary services with respect to the Development of \$[____] per hour.

B. Permanent Servicing. The annual compensation for permanent loan servicing shall be paid semi-annually by the Borrower on each [June 1 and December 1], commencing upon the issuance of an initial certificate of occupancy, in an amount equal to [____]

basis points ([_____]%) per annum on the outstanding principal amount of the Bonds, with a minimum monthly fee of \$[____], payable in arrears beginning December 1, 2018. An additional fee of \$[____] per hour shall be paid by the Borrower for extraordinary permanent loan servicing services.

Any fees not paid by the Borrower may be paid by the Trustee (from amounts available under the Indenture) and charged against the Loan unless Borrower gives Trustee notice that such fees are disputed.

C. The Issuer Servicer's right to compensation hereunder (except for accrued, unpaid compensation and unreimbursed, previously incurred costs and expenses) for servicing the Loan shall cease upon the occurrence of any of the following events:

1. the Loan shall be paid in full and the Qualified Project Period shall have expired;
2. an Event of Default under the Note or the Loan Agreement; and
3. notification by the Trustee to the Issuer Servicer that its services or this Agreement shall be terminated by the Issuer or the Trustee with the Issuer's consent, with or without cause;

D. Any fees not paid by the Borrower may be deducted from a subsequent Requisition.

7. BUILDER'S RISK AND HAZARD INSURANCE. The Issuer Servicer shall see to it that at all times during the term of this Agreement, all buildings and improvements making up the Development are insured, under standard mortgagee clauses, for the benefit of the Trustee and the Issuer, against loss or damage by fire and from such other insurable risks and hazards, all as more specifically set forth in the Loan Documents. Subject to the applicable provisions of the Loan Documents, fire insurance and extended coverage shall be in an amount at least equal to the full replacement value of the Development less applicable deductibles. Subject to the applicable provisions of the Loan Documents, in the event of the failure by the Borrower to maintain such insurance in full force and effect, and upon the written authorization of the Issuer, such insurance shall be maintained by the Issuer Servicer, subject to payment by the Trustee, which shall advance necessary funds (from amounts available for such purposes pursuant to the Indenture) to the Issuer Servicer, upon request from the Issuer Servicer. The Issuer Servicer shall retain and safely store, service and continually maintain all such policies and documents related thereto as are required by this Paragraph. All insurance coverage maintained pursuant to this Paragraph shall be without contribution by the Trustee and shall be issued by insurance companies having a general policyholder's rating and financial rating acceptable to the Issuer.

The Borrower shall deliver to the Issuer Servicer copies of ad valorem tax bills and hazard insurance premium notices as payment therefor becomes due. If the Loan Agreement

provides for escrows of taxes and insurance, the Trustee shall deliver to the Issuer Servicer within ten business days after receipt of such tax bills or hazard insurance premiums notices, copies of such tax bills and hazard insurance premium notices and a statement setting forth the amounts being held by the Trustee for the payment of taxes and hazard insurance. Thereafter, the Issuer Servicer shall deliver to the Trustee a statement setting forth the amounts to be paid by the Borrower as a monthly escrow for the payment of taxes and insurance to ensure prompt and full payment of such taxes and insurance as they shall become due for the next 12 month period, subject in all respects to the applicable provisions of the Indenture and the Loan Agreement. If such escrows are maintained by the Lender, the Issuer Servicer shall obtain copies of such bills and evidence of payment from the Lender.

8. REPLACEMENT RESERVES. In the event the Loan remains Outstanding on the first day of the month in which occupancy of the units in the Development is at [__]%, as determined by the Issuer Servicer, the Borrower shall establish, fund and maintain, a replacement reserve fund ("Replacement Reserve Fund") of \$[___] per unit, per year, to be deposited with the Trustee or Lender on a monthly basis.

9. INSURANCE TO BE MAINTAINED BY THE ISSUER SERVICER. The Issuer Servicer shall maintain at all times during the existence of this Agreement, at its own expense, blanket fidelity insurance and errors and omissions insurance covering the Issuer Servicer's officers and employees and other persons acting on behalf of the Issuer Servicer relating to the Issuer Servicer's performance of this Agreement. All such policies of insurance shall be issued by an insurance company, with coverage satisfactory to the Issuer and the Issuer Servicer and shall name the Issuer and the Trustee as the insured under said policies. All premiums for such insurance shall be paid by the Issuer Servicer at its own expense as a cost of doing business.

10. NOTIFICATION TO THE TRUSTEE. The Issuer Servicer shall promptly notify the Issuer, the Borrower, and the Trustee of any of the following which may come to the attention of the Issuer Servicer:

A. Any failure of the Borrower to perform any covenant or obligation, applicable to it, under the Loan Documents (of which the Issuer Servicer has knowledge) if such failure continues for a period of fifteen (15) days, or lesser period, if so provided in any Loan Document.

B. Abandonment of the Development.

C. Any lack of repair or the deterioration or waste suffered or committed in respect to the Development.

D. Any other matter which would adversely or materially affect or result in diminution of value of the security described herein.

E. Any loss or damage by fire or any hazard to the property requiring repairs costing in excess of FIFTEEN THOUSAND AND 00/100 (\$15,000.00) DOLLARS to restore the Land of its condition prior to such loss or damage.

11. DEFAULT OF BORROWER. The Issuer Servicer shall not at any time, without the express written consent of the Issuer and the Trustee, consent to a postponement of compliance on the part of the Borrower with any of the terms and provisions of the Loan Agreement or any other Loan Document relating to the Loan, or in any manner grant an extension or waiver to the Borrower, subject to the applicable provisions of the Indenture and Loan Agreement.

12. FORECLOSURE. The Issuer Servicer, acting for and on behalf of the Issuer, in the case of any Event of Default under the Loan Documents shall, subject to the terms of the Loan and the Indenture, as applicable, proceed in accordance with the Indenture. The Issuer Servicer shall be reimbursed for any of its costs and expenses, including, but not limited to, reasonable legal fees, title search charges, and the Issuer Servicer's extraordinary servicing fees incurred in connection with any action taken by the Issuer Servicer acting upon the direction and written authorization of the Trustee, the Issuer or the Lender under any foreclosure proceeding as to the Development. This Paragraph does not impose upon the Issuer Servicer the duty to advance funds for the purposes referred to herein unless such funds have been provided, in advance, to the Issuer Servicer by the Trustee from the proceeds of the Bonds or other funds available for such purpose.

13. REPRESENTATIONS OF THE ISSUER SERVICER. The Issuer Servicer covenants, warrants and represents to the Issuer and the Borrower as follows:

A. The Issuer Servicer is a duly organized corporation under the laws of the State and is in good standing in such jurisdiction; that it is authorized to execute, deliver and perform this Agreement and all other documents and agreements required hereunder, and in so doing, that it will not violate any law, any provision of its charter or bylaws or any other agreement of instrument binding upon it.

B. The Issuer Servicer shall comply with all applicable laws and the provisions of the Loan Documents.

C. The Issuer Servicer shall cause any funds advanced to the Issuer Servicer by the Trustee under this Agreement to be deposited with a financial institution the deposits of which are insured by FDIC or by any successor agency or instrumentality of the United States government; and will cause such financial institution to designate said funds as escrow funds for the benefit of the Trustee; and will cause such financial institution of execute an agreement providing that it will not exercise any powers of right of offset or banker's lien against such escrow funds.

D. The Issuer Servicer hereby waives and releases any lien or encumbrances which it might at any time have or be able to claim against any property or funds held by the

Trustee or the Issuer, except monies on deposit in the Administration Fund (or similar account under the Indenture) and available for such payment under the Indenture.

14. BORROWER'S REPRESENTATIONS AND WARRANTIES. As of the Closing Date, and thereafter, the Borrower represents and warrants to the Issuer, the Trustee and the Issuer Servicer as follows:

A. Valid Existence. That it is a duly organized and validly existing limited liability company in good standing under the laws of the State, with full power and authority to consummate the transactions contemplated hereby.

B. Unencumbered Land. That the Borrower is indefeasibly seized of a fee simple title in the Land and has full power and lawful right to mortgage the same, and that the Land is free and clear of all encumbrances, except current taxes and assessments which are not yet due and payable.

C. No Mechanic's Liens. That no materials of any kind have been placed on the Land by anyone, and no work or labor has been performed, thereon that has not been paid for; there are no unpaid bills for labor, materials, supplies or services furnished upon the Land; and no notice of commencement or claim of lien affecting the Land or the Improvements has been filed in the public records of the County which has not been provided to and approved by the Issuer.

D. Plans and Specifications Approved. Except as provided in the next succeeding sentence, by the date of commencement of rehabilitation, the Plans and Specifications shall have been approved by the Issuer Servicer and the Inspecting Engineer on behalf of the Issuer, and to the extent required by applicable law or any effective restrictive covenant, by all governmental authorities having jurisdiction thereover and the beneficiary of any such covenant, respectively.

E. Utilities. That all utilities services necessary for the rehabilitation of the Improvements and the operation thereof for their intended purpose, are or will be available prior to commencement of rehabilitation for the use of the Borrower at the Land, including water supply, storm and sanitary sewer facilities, electric, and telephone services.

F. Access. That adequate vehicular, pedestrian and utility access for reasonably direct ingress, egress and service, to and from the Land from publicly owned and maintained paved roadways are or will be available when needed at the Land.

G. Licenses and Permits. That all necessary licenses and permits will be obtained as soon as each is reasonably obtainable so as to permit the rehabilitation and completion of the Improvements, and operation of the Development.

H. Labor and Materials. That all labor and materials contracted for or utilized in connection with the rehabilitation of the Improvements shall be used and employed

solely on the Land and in said rehabilitation and shall be substantially in accordance with the Plans and Specifications.

I. Monies in Trust. That the monies disbursed under this Agreement shall constitute a trust fund and shall be used solely for the payment of the Costs of the Improvements and for no other purpose, unless another use is specifically provided for in this Agreement or another Loan Document, or is consented to in writing by the Issuer and Trustee prior to any such usage.

J. No Suits Pending. That there are no actions, suits, or proceedings pending, or, to the knowledge of the Borrower, threatened against or affecting it or the Land at law or in equity, or before or by any governmental authority except actions, suits and proceedings fully covered by insurance or which, if adversely determined, would not substantially impair the ability of the Borrower to pay when due any amounts which may become payable in respect to the Loan Agreement; and to the Borrower's knowledge it is not in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority.

K. No Violation of Agreements. That the consummation of the transactions hereby contemplated and performance of this Agreement will not result in any breach of, or constitute default under, any mortgage, lease, bank loan or credit agreement, corporate charter, bylaws, partnership agreement, operating agreement, joint venture agreement, or other instrument to which the Borrower or its General Partner are a party or by which they may be bound or affected.

L. No Event of Default Under Loan Agreement. That no Event of Default presently exists under the Note, the Loan Agreement, this Agreement or any other Loan Document, and no event has occurred and is continuing which with notice or the passage of time or either would constitute a default under the Note, the Loan Agreement or this Agreement or any other Loan Document.

M. No Financial Impediments. That Borrower has no known or contingent liabilities, and no material financial obligations under other agreements to which Borrower is a party or by which the Land is bound other than those obligations incurred with regard to the acquisition of the Land or in the ordinary course of the operation of the Development and those obligations arising out of or specified in the Loan Documents, and the Borrower's operating agreement.

N. Continuing Warranties. That each of the representations and warranties set forth in this Paragraph will be true on the date of each advance ("Advance") and the acceptance of any Advance by the Borrower shall be deemed to be a reaffirmation of each and every one of said representations and warranties.

15. COVENANTS OF THE BORROWER. As of the Closing Date, and thereafter, the Borrower covenants and agrees with the Issuer, the Trustee and the Issuer Servicer as follows:

A. Survey. The Borrower shall forthwith, and prior to the initial disbursement of any funds hereunder, furnish to the Issuer Servicer, at the Borrower's expense, a current survey, which survey shall be satisfactory to the Issuer Servicer, and which survey shall locate all recorded restrictions and easements by recording references. Such survey shall be made by a civil engineer or surveyor reasonably acceptable to the Issuer Servicer and the Issuer and shall be paid for by the Borrower and shall be on a form and contain such matters as may reasonably be required by the Issuer Servicer and the Issuer.

B. Insurance. The Borrower shall furnish and pay, or cause to be furnished and paid, the premiums for fire and extended coverage insurance as well as insurance against such other hazards (i) as required under the Loan Agreement, or (ii) if greater, as may be reasonably required by the Issuer and the Issuer Servicer, including flood insurance if required, with a company or companies meeting the reasonable requirements of the Issuer, said policies to be in full replacement value of the Improvements and covering the same, said policies to be in such amount, in such form and with such deductibles as are reasonably acceptable to the Issuer and the Issuer Servicer. Loss under such insurance policies shall be payable in accordance with the relevant provisions of the Loan Documents and said policies shall provide that they shall not be cancelable without at least thirty (30) days' prior written notice by the insurer to the Trustee and the Issuer. The Borrower shall also furnish at the Borrower's expense, or cause to be furnished, such workers' compensation insurance as may be reasonably required by law. Evidence of the foregoing shall be provided to the Trustee prior to the initial disbursement of funds. All insurance policies identified herein shall be renewed at least twenty (20) days prior to expiration with notice of renewal provided the Trustee. The provisions herein are intended to be consistent with and to impose the same insurance obligations as set forth in the Loan Agreement.

C. Construction in Workmanlike Manner. The Borrower shall rehabilitate, or cause to be rehabilitated, the Improvements on the Land in a true, thorough and workmanlike manner and in substantial accordance with the Plans and Specifications. The Borrower shall provide, or cause to be provided, at the Borrower's cost, all manner of materials, labor, scaffolding, implements and other items of every description as are required for the complete rehabilitation of the Improvements. The Borrower shall not make any material changes in the Plans and Specifications or materially deviate therefrom, except with the prior written consent of the Issuer and the Issuer Servicer which approval will not be unreasonably withheld or delayed and except with respect to change orders that do not require the consent of the Issuer or the Issuer Servicer pursuant to Section 17D. The question of materiality will be solely and reasonably decided by the Issuer or the Issuer Servicer in light of the Plans and Specifications submitted, existing building standards and the public purpose of the Development.

D. Lien Releases. The Borrower shall furnish all receipted bills, certificates, affidavits, receipts, releases of lien, approved Bonds and any other documents which may be required or allowed by the lien laws of the State, or which may be reasonably required by the Issuer, the Issuer Servicer or the Trustee, as evidence of full payment or acceptable bond for all labor and materials incident to the rehabilitation of the Improvements, and will promptly secure the release (except for liens which are the subject of a bond as herein described) of the Land from any and all liens that might be imposed thereon. The Borrower specifically reserves the right to contest any such liens, provided such liens are properly transferred to a surety bond or cash deposit in accordance with Florida law.

E. Compliance with Loan Agreement. The Borrower shall comply with and perform each and every one of the provisions, terms, conditions, requirements and contingencies embodied in the Loan Agreement and the other Loan Documents and shall execute all instruments required to completely comply with and perform the same, and shall abide by, complete and carry out all of the Borrower's representations, proposals and commitments made in the Loan Documents.

F. No Further Encumbrances. The Borrower will not convey, encumber or impose a security interest on its interest in the Land or the Improvements in any way without the consent of the Issuer and the Trustee, nor shall the Borrower assign any rights under this Agreement or any advance or portion of any advance to be made hereunder without the Issuer's and the Trustee's prior written consent. All proposed easements affecting the Land shall be submitted to the Issuer Servicer for its reasonable approval prior to the execution thereof by the Borrower and shall be accompanied by a drawing or survey adequate to show the proposed location thereof.

G. Right of Entry. The Borrower will permit the Issuer, the Trustee and the Issuer Servicer and their authorized employees, agents or representatives to enter upon the Land after reasonable prior notice during normal business hours, to inspect the Improvements and all materials to be used in the rehabilitation thereof, and to examine all detailed plans and shop drawings which are or may be kept at the construction site and all books and records of the Borrower and the Contractor relating to the Land, and will cooperate and cause the Contractor to cooperate with the Issuer, the Trustee and/or the Issuer Servicer and their representatives to enable them to perform their functions hereunder. It is expressly agreed that any inspection made by the Issuer, the Trustee or the Issuer Servicer or their representatives shall be made solely and exclusively for the protection and benefit of each of them and neither the Borrower nor any third party shall be entitled to claim any loss or damage either against the Issuer, the Trustee or the Issuer Servicer or its employees, agents or representatives for failure to properly discharge any alleged duties of the Issuer, the Trustee or the Issuer Servicer and they shall have no duty to make such inspections.

H. Correct Non-Complying Work. The Borrower agrees that it will cause to be corrected at no cost to the Issuer, the Trustee, or the Issuer Servicer, any work performed and replace any material that does not substantially comply with the Plans and Specifications.

I. Additional Documents. The Borrower agrees to execute any and all such other and further instruments as may reasonably be required by the Issuer or Trustee from time to time in order to carry out the provisions of this Agreement, the Loan Documents or for the purpose of protecting, maintaining, or enforcing the Issuer's and the Trustee's security for the Loan.

J. Insufficiency of Loan Proceeds. Unless otherwise agreed in writing by the Issuer and the Issuer Servicer, the Borrower covenants, warrants and agrees that it will provide from its own funds such amounts as may be necessary to pay for all Costs of the Improvements which are in excess of the disbursements required to be made by the Trustee hereunder and other available and identified funds (as approved by the Issuer Servicer), and in the event of any default hereunder (subject to any applicable notice and cure periods), the Issuer Servicer shall not be required to approve any disbursement hereunder if the undisbursed proceeds of the Loan together with all other available and identified funds shall be less than the amount necessary to pay for the completion of the Improvements. If the Issuer or the Issuer Servicer at any time determine in their reasonable judgment from any certification, report, cost projection, work stoppage, price or wage change or from any other source or for any reason, that the Cost of the Improvements will exceed those costs and projections estimated by the Borrower or the Issuer and certified to the Issuer Servicer from time to time, and that the undisbursed proceeds of the Loan (plus any and all funds of the Borrower deposited with the Trustee together with all other available and identified funds) shall be less than the amount necessary, in the Issuer's or the Issuer Servicer's reasonable judgment, to pay for all work done or to be done and all other expenses for completion of the Improvements, or that any amount specified in the Budget may be less than the amount necessary (taking into account all other available and identified funds which are so approved by the Issuer Servicer), in the Issuer's or the Issuer Servicer's reasonable judgment, to pay for all work done or to be done and all expenses incurred or to be incurred in connection with the Improvements, then in such event, the Trustee shall, if directed by the Issuer, withhold further disbursements to the Borrower until the Borrower shall have provided a sufficient plan to pay for all work done or to be done and expenses incurred or to be incurred in connection with the Improvements, to the reasonable satisfaction of the Issuer, including but not limited to the requirement that collateral sufficient to cover such costs be posted with or for the benefit of the Trustee.

K. Construction Contract. Except as otherwise provided herein with respect to change orders that do not require consent, the Borrower shall not amend the Construction Contract in any manner without the prior written consent of the Issuer, the Lender and the Issuer Servicer.

16. TERMINATION.

A. By the Trustee. The Trustee, with the consent of the Issuer, shall have the right to terminate the Issuer Servicer's rights and obligations under this Agreement, without cause, upon ten (10) days' written notice to the Issuer Servicer, and with cause, upon such written notice as the Issuer deems reasonable under the circumstances.

B. Automatic Termination. Upon the occurrence of any one or more of the following events, the Issuer Servicer's rights and obligations under this Agreement shall be automatically terminated:

1. The Issuer Servicer shall assign or attempt to assign its rights or obligations under this Agreement.

2. The Issuer Servicer shall institute proceedings for voluntary bankruptcy or shall file a petition seeking reorganization under the Federal Bankruptcy Laws or for relief under any other law for the relief of debtors or shall consent to the appointment of a receiver of all or substantially all of its property, or make a general assignment for the benefits of its creditors, or shall admit in writing its inability to pay its debts as they become due, or shall be adjudicated bankrupt or insolvent by a court of competent jurisdiction, or if an order shall be made by a court of competent jurisdiction appointing a receiver, liquidator or trustee of the Issuer Servicer or of all or substantially all of its property or approving any petition filed against the Issuer Servicer for its reorganization, and such adjudication or order shall remain in force or unstayed for a period of thirty (30) days.

3. The Issuer Servicer shall fail to perform any of its obligations hereunder and shall fail, within thirty (30) days after written notice from the Trustee or the Issuer, to correct or cure such failure.

4. The Bonds shall be redeemed.

5. The amounts owed by the Borrower under the Loan Documents are paid in full.

C. Effect of Termination. In the event this Agreement is terminated pursuant to this Section 16, then the rights and obligations of the Issuer Servicer and its right to compensation hereunder shall immediately terminate, the Issuer Servicer shall forthwith deliver to the Issuer or to whomever the Issuer directs, all documents relating to the Loan and shall do such other acts as may reasonably be required by the Issuer to facilitate the termination hereof.

D. Termination of Rights and Duties of Issuer Servicer. Upon termination of the rights and duties of the Issuer Servicer hereunder, the Trustee and the Borrower shall join the Issuer in entering into a substantially similar agreement with a replacement Issuer Servicer designated by the Issuer.

17. AGREEMENTS RELATING TO CONTRACTORS.

A. Rights Inferior. Neither the Trustee nor the Issuer shall be liable to materialmen, contractors, subcontractors, sub-subcontractors, laborers, suppliers or others for goods or services delivered by them in or upon the Land or employed in the rehabilitation of the Improvements, or for any debts or claims accruing to any of said parties against the Borrower or against the Land, and it is distinctly understood and agreed that there is no

contractual relationship, either express or implied, between either the Issuer, the Trustee or the Issuer Servicer and any materialmen, contractors, sub-contractors, sub-subcontractors, craftsmen, laborers or any person supplying any work, labor or material. The Borrower is not, and shall not be, the agent of either the Issuer, the Trustee or the Issuer Servicer for any purpose, nor shall any of them be the agent of Borrower for any purpose, except, as to both, as may be specifically set forth herein. It is specifically understood and agreed that no party shall be a third party beneficiary hereunder, except and unless it is specifically provided herein that any provision shall operate or inure to the use and benefit of a party, i.e., no subcontractor, sub-subcontractor or materialman, laborer or supplier shall have any rights hereunder against the Issuer, the Trustee or the Issuer Servicer or be entitled to the protection of any of the covenants herein contained.

B. Borrower's Rights Assigned. The Borrower hereby assigns to the Issuer and Trustee, effective, however, only after an Event of Default and the expiration of applicable cure periods, all rights of the Borrower under its contract with the Contractor and under its contract with the Architect, and the Issuer or the Trustee shall have the option after an Event of Default, and the expiration of applicable cure periods, in its sole discretion and in addition to any other rights and remedies the Issuer or the Trustee may have, to exercise their rights under this assignment. Nothing herein shall be construed, however, to require the Issuer or the Trustee to exercise any rights under this Paragraph.

C. No Other Contracts. Except for items set forth and approved by the Issuer Servicer in the Budget, the Borrower represents that it has not and agrees that it will not enter into any significant contract or agreement (in excess of \$50,000) relating to the rehabilitation, purchase or installation of the Improvements other than the contracts with the property manager, the Developer, the Architect and the Contractor and a contract with its surveyors or engineers, nor will the Borrower agree to any material modification or amendment in its contract with the property manager, the Contractor or the Architect without first obtaining the Issuer Servicer's written approval of and consent to such contract, agreement or amendment, which consent shall not be unreasonably withheld or delayed for more than five (5) days after receipt of said notice.

D. Change Orders. The Borrower covenants and warrants that any change order of \$25,000 or more, or \$50,000 in the aggregate, shall require the prior written approval of the Issuer Servicer, which approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, the Issuer Servicer shall be provided with copies of all change orders, regardless of amount. Change orders that do not require the consent of the Issuer Servicer shall not be deemed material.

E. No Joint Venture. Nothing herein nor the acts of the parties hereto shall be construed to create a partnership or joint venture between the Borrower and the Issuer, the Trustee or the Issuer Servicer with respect to the Loan.

18. EVENTS OF DEFAULT.

A. Subject in all instances to the provisions of subparagraph B of this Section 18 and the provisions of the Indenture, an Event of Default under this Agreement shall, at the Issuer's option, be deemed to have occurred hereunder if:

1. Default Under Loan Documents. Any Event of Default, as defined therein, shall occur under any of the other Loan Documents which is not cured within any applicable grace or cure period; or

2. Breach of Covenant. The Borrower shall breach or fail to perform, observe or meet any material covenant or condition in this Agreement within thirty (30) days after written notice thereof from any other party hereto; or

3. Filing of Liens Against the Land. Any lien for labor, materials, or taxes (except for ad valorem taxes not yet due and payable) or otherwise shall be filed against Borrower's interest in the Land and not be either released (by payment, bonding or otherwise) within the earlier of forty (40) days after the date of filing thereof or thirty (30) days after the Borrower receives actual notice thereof or properly contested, except as disclosed in the pending litigation schedule attached hereto as Exhibit "C" and made a part hereof; or

4. Judgment Against Borrower. Any final judgment shall be entered against the Borrower, the General Partner, or the controlling members of the General Partner which the Borrower, the General Partner or the controlling members of the General Partner has not appealed and which could reasonably be expected to impair the ability of the Borrower to perform each and every one of its respective obligations under and by virtue of the Loan Documents; or

5. Levy Upon The Development. A levy shall be made under any process on, or a receiver be appointed for, the Development or any part thereof; or

6. Bankruptcy. The Borrower, the General Partner, or the controlling members of the General Partner shall commit any act of bankruptcy; or any proceeding under bankruptcy laws or other debtor-relief or similar laws shall be brought against the Borrower, the General Partner or the controlling members of the General Partner which is not dismissed within sixty (60) days; or the Borrower, the General Partner or the controlling members of the General Partner shall file for or take advantage of any form of reorganization or arrangement under any bankruptcy law or other debtor-relief or similar law or proceeding; or

7. Assignment for the Benefit of Creditors. The Borrower, the General Partner or the controlling members of the General Partner shall make a general assignment for the benefit of creditors; or

8. Abandonment or Cessation of Construction. Rehabilitation of the Improvements shall cease and not be resumed within sixty (60) days thereafter, unless the

Borrower is prevented from resuming same as a result of Force Majeure, or shall be abandoned for more than thirty (30) days; or

9. Denial of Inspection. The Issuer, the Trustee or the Issuer Servicer or representatives shall not be permitted, at all reasonable times and after reasonable notice, to enter upon the Land, to inspect the Improvements and the rehabilitation thereof and all materials, fixtures, and articles used or to be used in the rehabilitation of the Improvements, and to examine all detailed plans, shop drawings, specifications and other records which relate to the Improvements, or the Borrower shall fail to furnish to the Issuer, the Trustee or the Issuer Servicer or to their authorized representatives, when reasonably requested, copies of such plans, shop drawings, specifications, and records; or

10. Improper Materials. Any of the materials, fixtures, machinery, equipment, articles and/or personal property used in the rehabilitation of the Improvements or the appurtenances thereto, or to be used in the operation thereof, shall not, in the reasonable opinion of the Issuer Servicer or the Issuer, confirmed by the Inspecting Engineer, substantially comply with the Plans and Specifications as approved by the Issuer and such default is not cured by the Borrower within forty-five (45) days after the Issuer Servicer or the Trustee has given notice to the Borrower to cure same; or

11. Materials Not Free and Clear. The Borrower shall not, except in the case of leased washing machines, dryers, vending machines, office telephones, office equipment, office communications equipment and model furniture and other items normally used in common by tenants, execute (other than to the Issuer or the Trustee) any conditional bill of sale, chattel mortgage, security agreement or other security instrument covering any materials, fixtures, machinery, equipment, articles, and/or personal property intended to be incorporated in the Improvements or the appurtenances thereto, or placed in the Improvements, or if a financing statement publishing notice of such security instrument shall be filed, or if any of such materials, fixtures, machinery, equipment, articles, and/or personal property shall not be purchased so that the ownership thereof will vest unconditionally in the Borrower, free from encumbrances other than the Issuer and the Trustee, on delivery at the Land, or if the Borrower shall not produce to the Issuer, the Trustee or the Issuer Servicer upon demand the contracts, bills of sale, statements, receipted vouchers or agreements, or any of them, under which the Borrower claims title to any thereof; or

12. Failure to Complete Improvements. The Improvements, in the reasonable judgment of the Issuer Servicer or the Issuer, are not, or cannot reasonably be, completed on or before the Completion Date, subject, however, to force majeure; or

13. False Representation or Warranty. At any time any representation, warranty or statement made by the Borrower in any Loan Document shall be incorrect or misleading in any material respect when made and such matter not be cured within thirty (30) days of the giving of notice thereof to the Borrower by the Issuer or the Trustee.

Notwithstanding anything herein to the contrary, this Paragraph shall in no way be construed to limit the Issuer's, the Trustee's or the Issuer Servicer's right to seek specific performance of this Agreement against the Borrower or to enforce its remedies under Paragraph 21 hereof or to withhold approval of a Requisition until the Borrower is in compliance with this Agreement.

B. Notice of Default; Opportunity to Cure. Except as set out below no default under the preceding Section shall constitute an Event of Default hereunder until:

1. The Issuer Servicer and/or the Trustee, by registered or certified mail, shall give notice to the Issuer, the Lender, the Borrower, the Borrower's Investment Member and Special Member and the Trustee of such default specifying the same and stating that such notice is a "Notice of Default"; and

2. The Borrower shall have had thirty (30) days (or such extended period as permitted (approved in writing with notice to the Trustee and the Issuer Servicer) by the Issuer when curative action is being diligently pursued) after receipt of such notice to correct the default and shall not have corrected it or, if such default cannot be corrected within thirty (30) days, shall have failed to initiate and diligently pursue (in the sole reasonable judgment of the Issuer) appropriate corrective action. The Borrower's Investment Member and Special Member shall have the right, but not the obligation to cure any default.

Notwithstanding the foregoing, notice of and opportunity to cure any default arising from a default under the other Loan Documents shall be governed by the terms of such agreements, and no additional notices of or opportunity to cure any default under such agreements shall be required hereunder to complete the notice and cure procedure provided in such agreements.

19. MISCELLANEOUS PROVISIONS:

A. No Waiver. Nothing herein shall be construed to waive or diminish any right or security of the Issuer or the Trustee under the Loan Agreement. It is the purpose and intent hereof to provide safeguards, protections and rights for the Issuer and the Trustee in addition to those provided in the Loan Agreement.

B. Cumulative Remedies. The remedies provided herein shall be in addition to and not a substitution for the rights and remedies which would otherwise be vested under any Loan Document or in law or equity, all of which rights and remedies are specifically reserved. The remedies herein provided or otherwise available to the Issuer, the Trustee or the Issuer Servicer shall be cumulative and may be exercised separately or concurrently and as often as the occasion therefor may arise. The failure to exercise any of the remedies herein shall not constitute a waiver thereof, nor shall use of any of the remedies hereby provided prevent the subsequent or concurrent use of any other remedy or remedies. It is intended that this clause shall be broadly construed so that all remedies herein provided or otherwise available to the Issuer, the Trustee or the Issuer Servicer shall continue and be each and all available until all

sums due by reason of the Loan Agreement are paid in full and all obligations incurred by the Borrower in connection with the rehabilitation or operation of the Improvements have been fully discharged.

C. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their heirs, legal representatives, successors and assigns. The Borrower may be released from obligations and agreements hereunder only by a written instrument of the Trustee and the Issuer specifically providing for such release. The Borrower shall be released from any and all liability hereunder, upon payment of the Loan in full and the expiration of the Qualified Project Period.

D. Assignability. This Agreement shall not be assignable by the Borrower or the Issuer Servicer without the prior written consent of the Issuer and the Trustee. If the Issuer and the Trustee approve an assignment hereof by the Borrower, the Trustee shall be entitled to make advances to such assignee and such advances shall be secured by the Loan Documents.

E. Governing Law. This Agreement shall be construed under the laws of the State of Florida, regardless of where it may have been executed or delivered.

F. Construction. Whereas this Agreement was negotiated with input from all parties hereto, this Agreement shall not be construed more strongly against any party regardless of who was more responsible for its preparation.

G. Costs and Legal Fees. In the event that any party shall be required to enforce this Agreement and whether or not suit be brought, the prevailing parties shall be entitled to recover from the losing parties all reasonable legal fees and costs incurred in connection therewith, whether incurred in collection, at trial, on appeal, in bankruptcy or other similar proceedings affecting creditors' rights or otherwise.

H. Invalid Provisions. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable law and are intended to be limited to the extent necessary so that they will not render this Agreement invalid, illegal, or unenforceable under any applicable law. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of the other terms of this Agreement shall in no way be affected thereby, nor shall such terms be invalid or unenforceable under other, dissimilar facts and circumstances.

I. Headings. The paragraph headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning, content, or interpretation hereof.

J. Amendments. This Agreement shall not be amended or modified except by an amendment in writing, executed by all parties hereto in the same form as this Agreement.

K. Time of Essence. Time is of the essence of this Agreement.

L. Right to Publicize. The Issuer and the Issuer Servicer shall have the right to publicize its involvement in the financing of the Development and may require the Borrower to name the Issuer as its lender in all publicity releases and promotional materials issued in connection with the Development.

M. Dealings with the Issuer Servicer. The Issuer Servicer shall be protected and shall incur no liability in acting or proceeding in good faith upon resolution, notice, telegram, consent, wavier, certificate, affidavit, voucher, bond or other paper or document which it shall in good faith reasonably believe (i) to be genuine and, (ii) to have been passed or prepared and furnished pursuant to the provisions of the Indenture, the Regulatory Agreement or the Loan Agreement, and the Issuer Servicer shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements unless the instrument on its face reasonably indicated that the Issuer Servicer should inquire further or unless the Issuer Servicer has actual knowledge or information which reasonably should cause the Issuer Servicer to inquire further. The Issuer Servicer shall not be held liable under this Agreement except for its own negligence or willful misconduct or gross negligence. The Borrower shall indemnify and hold the Issuer Servicer harmless from any claim, action or liability of any kind or character whatsoever arising from or in any way related to acts or omissions of the Borrower or any of its agents, employees, consultants, counsel, or independent contractors. This Paragraph shall in no way be construed to relieve the Issuer Servicer of the normal and usual duties of a reasonably prudent loan servicer or monitoring agent.

N. Terms. Wherever used herein, the terms utilized shall include masculine, feminine, neuter, singular and/or plural, as the context admits or requires.

O. Conflicts. Notwithstanding anything herein to the contrary, the terms and conditions of the Note and the Loan Agreement shall govern, control and prevail, in the event of any conflict between the terms and conditions hereof and those contained in the Note and the Loan Agreement.

P. Remedies. Subject to the terms of the Regulatory Agreement upon the occurrence of any Event of Default which is not cured within the applicable cure period, the Issuer (or the Trustee or the Issuer Servicer), shall be entitled to seek specific performance hereof against the Borrower, and/or in addition to any other right or remedy available to it in law or equity. It is specifically agreed by the Borrower that a violation of this Agreement or the Regulatory Agreement could cause harm for which no damages could be calculated, therefore entitling the Issuer to immediate equitable relief, including without limitation a temporary restraining order or mandatory injunction without notice.

20. [RESERVED.]

21. EXERCISE OF RIGHTS BY ISSUER. Notwithstanding any provision herein to the contrary, the Issuer Servicer shall approve or disapprove all advances requested hereunder by the Borrower except that the Issuer Servicer is hereby permitted to disapprove any such request by the Borrower for advances hereunder which is not in substantial compliance with the credit underwriting guidelines of the Issuer.

22. NOTICES. Any notice required to be given hereunder shall be given by personal delivery, by registered U.S. mail or by expedited service at the addresses specified below or at such other addresses as may be specified in writing by the parties hereto, and any such notice shall be deemed received on the date of delivery if by personal delivery or expedited delivery service, or upon actual receipt of sent by registered U.S. Mail.

To the Issuer: Jacksonville Housing Finance Authority
214 N. Hogan Street, 7th Floor
Jacksonville, FL 32202
Attention: Finance Director

with a copy to: Office of the General Counsel
117 West Duval Street, Suite 480
Jacksonville, FL 32202
Attention: Emerson Lotzia, Esq.

To the Borrower: Caroline Arms Preservation, Ltd.
c/o Lincoln Avenue Capital, LLC
595 Madison Avenue
Suite 1601
New York, New York 10022

With a copy to: Stearn Weaver Miller Weissler
Alhadeff & Sitterson, P.A.
150 W. Flagler Street
Miami, Florida 33130
Attention: Brian McDonough, Esq.

To the Investor Limited Partner: Synovus Bank
1127 First Avenue
Columbus, Georgia 31901
Attention: [_____]

With a copy to: Kutak Rock LLP
303 Peachtree Street, N.E.
Suite 2750
Atlanta, Georgia

Attention: Patricia Luna

To the Trustee: The Bank of New York Mellon
Trust Company, N.A.
10161 Centurion Parkway, N.
Jacksonville, FL 32256
Attention: Corporate Trust Department

To the Lender: SunTrust Bank
3414 Peachtree Road, NE
Suite 975
Atlanta, Georgia 30326
Attention: [_____]

The Issuer Servicer: Seltzer Management Group, Inc.
17633 Ashley Drive
Panama City Beach, FL 32413
Attention: [_____]

23. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement among the Issuer, the Issuer Servicer, the Trustee and the Borrower as to the subject matter hereof, and all prior agreements, negotiations and understandings with respect thereto are merged into and superseded by this Agreement.

24. WAIVER OF TRIAL BY JURY. THE BORROWER, THE ISSUER, THE TRUSTEE AND THE ISSUER SERVICER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EACH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY OTHER LOAN DOCUMENT AND ANY OTHER AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF PARTIES, WHETHER IN CONNECTION WITH THE MAKING OF THE LOAN, COLLECTION OF THE LOAN, OR OTHERWISE. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE ISSUER TO MAKE INTO THE LOAN EVIDENCED BY THE LOAN AGREEMENT.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in their respective names by their duly authorized representatives as of the day and year first set forth above.

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Name: Bryan Hartnett
Title: President

[Counterpart Signature Page – Construction Loan Servicing Agreement]

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

[SEAL]

By: _____
Name: William I. Gulliford, III
Title: Chair

[Counterpart Signature Page – Construction Loan Servicing Agreement]

SELTZER MANAGEMENT GROUP, INC.,
a Florida corporation

By: _____

Print:

Title:

[Counterpart Signature Page – Construction Loan Servicing Agreement]

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By: _____

Name: Janalee R. Scott

Title: Vice President

EXHIBIT "A"

EXHIBIT "B"

BUDGET AND CONSTRUCTION DRAW SCHEDULE

EXHIBIT "C"

PENDING LITIGATION SCHEDULE

BOND PURCHASE AGREEMENT

\$12,800,000

**Jacksonville Housing Finance Authority
Multifamily Housing Revenue Bonds
(Caroline Arms Apartments), Series 2018**

_____, 2018

Jacksonville Housing Finance Authority
214 N. Hogan Street, 7th Floor
Jacksonville, Florida 32202

Caroline Arms Preservation, Ltd.
c/o Lincoln Avenue Capital, LLC
201 Santa Monica Blvd, #550
Santa Monica, California 90401

Ladies and Gentlemen:

RBC Capital Markets, LLC (“RBC Capital Markets” or the “Purchaser”), on its own behalf and not as your fiduciary or agent for you, and in its capacity as underwriter of the Bonds (as hereinafter defined), offers to enter into the following agreement (the “Bond Purchase Agreement” or “Purchase Contract”) with the Jacksonville Housing Finance Authority (the “Issuer”) and Caroline Arms Preservation, Ltd., a Florida limited partnership (the “Borrower”), which, upon acceptance of this offer, will be binding upon the Issuer, the Borrower and the Purchaser. This offer is made subject to the Issuer’s and the Borrower’s acceptance on or before 5:00 p.m., Eastern time, today; if this offer is not timely accepted, it will thereafter be subject to withdrawal by the Purchaser upon written notice delivered to the Issuer and the Borrower at any time prior to the acceptance hereof by the Issuer and the Borrower. If and when accepted by the Issuer and the Borrower in writing, this Bond Purchase Agreement shall constitute the agreement of the Purchaser to purchase the Bonds on the terms and subject to the conditions herein set forth.

The above-captioned bonds are referred to herein as the “Bonds.” Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture (as such term is hereinafter defined) or the Bond Loan Agreement. The Indenture, the Bond Loan Agreement, the Land Use Restriction Agreement and this Bond Purchase Agreement are hereinafter collectively referred to as the “Issuer Documents.” The Bond Loan Agreement, the Land Use Restriction Agreement, the Continuing Disclosure Agreement and this Bond Purchase Agreement are hereinafter collectively referred to as the “Borrower Documents.” The Indenture, the Bond Loan Agreement, the Continuing Disclosure Agreement and the Land Use Restriction Agreement are hereinafter collectively referred to as the “Trustee Documents.”

Section 1. Purchase and Sale of the Bonds.

Subject to the terms and conditions and in reliance on the representations and warranties herein set forth, the Purchaser hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Purchaser on the Closing Date (as such term is hereinafter defined), all (but not less than all) of the Bonds for a purchase price of 100% of the principal amount of the Bonds. Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer understands, and hereby confirms, that the Purchaser is

not acting as a fiduciary of the Issuer or the Borrower, but rather is acting solely in its capacity as Purchaser.

The Bonds will be subject to mandatory tender on December 1, 2019, will mature on December 1, 2020 and will bear interest at the rate of [__]% per annum. The Borrower agrees to pay the Purchaser \$_____ (which does not include Purchaser's Counsel fee) in connection with the purchase of the Bonds (the "Underwriting Fee") in addition to the other expenses stipulated in Section 8 herein (together with the Underwriting Fee, the "Fees"). The Fees are payable on the Closing Date. Payment of the Fees is solely the obligation of the Borrower.

The Bonds shall be as described in, and shall be issued pursuant to, a Trust Indenture, dated as of June 1, 2018 (the "Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds shall be issued pursuant to resolutions adopted by the Issuer on March 21, 2018 and June 18, 2018 (collectively, the "Resolution") and the Florida Housing Finance Authority Law, Part IV, Chapter 159, Florida Statutes, as amended and supplemented from time to time, Chapter 52 Ordinance Code of the City, as amended, Ordinance 2014-185-E of the City, and Resolution No. 2016-707-A of the City (collectively, the "Act"). A disclosure statement submitted in compliance with Section 218.385, Florida Statutes, as amended, is attached hereto as Schedule I.

The proceeds of the Bonds will be used by the Issuer to provide funding for a loan (the "Loan") to the Borrower. The Loan will be evidenced by a Promissory Note (the "Note"). The Issuer and the Borrower will enter into a Loan Agreement (the "Bond Loan Agreement") and the Issuer, the Borrower and the Trustee will enter into a Land Use Restriction Agreement (the "Land Use Restriction Agreement"), in each case regarding the operation of the Development. The Bonds will be secured by collateral held under the Indenture. The disbursement of any Bond proceeds pursuant to the Indenture and the Bond Loan Agreement will be conditioned upon, among other things, the prior deposit of an equal amount of funds by SunTrust Bank, a Georgia banking corporation (the "Lender") pursuant to the Indenture.

It shall be a condition (a) to the obligations of the Issuer to sell and deliver the Bonds to the Purchaser, and (b) to the obligations of the Purchaser with respect to the Bonds, to purchase and accept delivery of and to pay for the Bonds, that the entire aggregate principal amount of the Bonds to be sold and delivered by the Issuer in accordance with this Section 1 shall be sold and delivered simultaneously by the Issuer and be purchased, accepted and paid for simultaneously by the Purchaser.

Section 2. Official Statement.

(a) Prior to the date hereof, the Borrower and the Issuer shall have provided to the Purchaser the Preliminary Official Statement related to the Bonds (the "Preliminary Official Statement"), that each of the Borrower and the Issuer deem final as of its date, except for certain omissions in connection with the pricing of the Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). The Purchaser has received such Preliminary Official Statement prior to the execution of this Purchase Contract for the purpose of marketing and pricing the Bonds.

(b) With its acceptance hereof, the Issuer will deliver, at the Borrower's expense, to the Purchaser within two (2) business days of the date hereof (or within such shorter period as may be requested by the Purchaser in order to accompany any confirmation that requests payment from any customer to comply with paragraph (b)(4) of the Rule, Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board), copies of the final Official Statement (the "Official Statement") in an amount mutually agreed upon, dated the date hereof, together with all supplements

and amendments thereto, as shall have been accepted by the Purchaser, signed on behalf of the Borrower.

The Issuer hereby ratifies and consents to the use of the Official Statement by the Purchaser in conjunction with the public offering and pricing of the Bonds.

(c) The Issuer agrees with the Purchaser that if between the date of this Purchase Contract and the date which is the earlier of (i) 90 days from the end of the “underwriting period,” as determined in subparagraph (d) below, or (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the end of the underwriting period, any event shall occur which would or might cause the information supplied by or concerning the Issuer, contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of circumstances under which they were made, not misleading, the Issuer shall notify the Purchaser thereof, and if in the reasonable opinion of the Purchaser such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer shall cooperate with the Purchaser in supplementing or amending the Official Statement, the printing of which will be at the Borrower’s expense, in such form and manner and at such time or times as may be reasonably called for by the Purchaser.

(d) Unless otherwise notified in writing by the Purchaser on or prior to the date of the Closing, the Issuer and the Borrower can assume that the “end of the underwriting period” for the Bonds for all purposes of the Rule is the date of the Closing. In the event such notice is given in writing by the Purchaser, the Purchaser agrees to notify the Issuer and the Borrower in writing following the occurrence of the “end of the underwriting period” (as defined in the Rule) for the Bonds identified in such notice. The “end of the underwriting period” as used herein shall mean the date of the Closing or such later date as to which notice is given by the Purchaser in accordance with the preceding sentence.

(e) At or prior to the Closing, the Purchaser shall file, or cause to be filed, the Official Statement with a nationally recognized municipal securities information repository.

(f) In order to assist the Purchaser in complying with the Rule, the Borrower will undertake, pursuant to a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) to provide annual financial information and notices of the occurrence of specified events. The form of the Continuing Disclosure Agreement is attached to the Official Statement.

Section 3. Representations and Warranties of the Issuer.

The Issuer represents and warrants as of the date hereof to the Purchaser and the Borrower as follows:

(a) By its execution hereof, the Issuer represents and warrants to, and agrees with the Purchaser that it is and will be on the Closing Date validly existing as a public body corporate and politic of the State of Florida (the “State”) pursuant to the Act, and has, and at the Closing Date will have, full legal right, power and authority (i) to enter into this Purchase Contract; (ii) to adopt the Resolution and cause the delivery of the Bonds to the Purchaser pursuant to the Resolution and the Indenture as provided herein; (iii) to loan the proceeds of the Bonds to the Borrower for the purpose set forth in the Official Statement; and (iv) to carry out and consummate the transactions contemplated by the Official Statement and the Issuer Documents.

(b) The Issuer, with respect to the Bonds, will at the Closing Date be in compliance in all material respects with the Issuer Documents and the relevant laws of the State;

(c) (i) At or prior to the Closing, the Issuer will have taken all action required to be taken by it to authorize the issuance and sale of the Bonds and the performance of its obligations hereunder; (ii) the Issuer has, and at the date of the Closing will have, full legal right, power and authority to enter into this Purchase Contract and the Issuer Documents, each as described in the Official Statement, and, at the Closing Date, will have full legal right, power and authority to deliver the Bonds to the Purchaser and to perform its obligations hereunder as provided in this Purchase Contract, the Bonds and the Issuer Documents, and all other documents to be executed by the Issuer in accordance with the issuance of the Bonds, and to carry out and effectuate the transactions contemplated by this Purchase Contract, the Official Statement, and the Issuer Documents (iii) as of the Closing, the execution and delivery of, and the performance by the Issuer of the obligations contained in the Bonds, this Purchase Contract (as of the date hereof) and the Issuer Documents shall have been duly authorized, and when executed this Purchase Contract, and the Issuer Documents (assuming the due authorization, execution and delivery by the other parties thereto) will constitute valid and legally binding obligations of the Issuer enforceable against the Issuer in accordance with their respective terms, subject to any applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights generally and the application of equitable principles where equitable remedies are sought and limitations on the enforcement of judgments against public bodies; (iv) the Issuer has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract; and (v) the Issuer Documents have been duly and validly authorized by the Issuer and will be at Closing in full force and effect;

(d) Between the date hereof and the Closing, the Issuer will not, without notifying the Purchaser in writing, issue any bonds, notes or other obligations for borrowed money on behalf of the Borrower except for such borrowings as may be described in or contemplated by the Official Statement;

(e) To the best of its knowledge, no further consent, approval, authorization or order of, or filing, registration or declaration with, any court or governmental agency or body which shall not have been obtained on or prior to Closing is required for the issuance, delivery or sale of the Bonds, or the consummation of the other transactions effected or contemplated herein or hereby except for such actions as may be necessary to be taken to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Purchaser shall designate;

(f) At the time of the Issuer's acceptance hereof and at all times subsequent thereto during the period up to and including the date of Closing, the information in the Official Statement (including any supplements and amendments to the Official Statement) under the captions "THE ISSUER," "NO LITIGATION – The Issuer" and "DISCLOSURE REQUIRED BY SECTION 517.051(1), FLORIDA STATUTES" (collectively, the "Issuer Information") does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(g) The Issuer, with respect to the Bonds, is not in material breach of or default under any applicable law or administrative regulation of the State, any department, division, agency or instrumentality thereof, or the United States or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement or other instrument to which the Issuer is a party or is otherwise subject; and the adoption of the Resolution and the execution and delivery of this

Purchase Contract, the Bonds, the other Issuer Documents and all other documents to be executed by the Issuer in connection with the issuance of the Bonds, and compliance with the provisions of each thereof do not conflict with or constitute a material breach of or default under any applicable law or administrative regulation of the State, any department, division, agency or instrumentality thereof, or the United States or any applicable judgment or decree, or any loan agreement, note, resolution, certificate, agreement or other instrument to which the Issuer is a party or is otherwise subject;

(h) To the best of its knowledge, all approvals, consents, and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Resolution, the Issuer Documents and the Bonds and all other documents to be executed by the Issuer in connection with the issuance of the Bonds have been obtained;

(i) The Bonds, when delivered and sold to the Purchaser as provided herein, will have been duly authorized and executed and will constitute validly issued and binding limited obligations of the Issuer in conformity with, and entitled to the benefit and security of, the Act, the Resolution and the Issuer Documents;

(j) The Issuer will take no action after the date hereof which would cause the Bonds not to conform in all material respects to the description thereof contained in the Official Statement;

(k) The Issuer will furnish such information, execute such instruments and cooperate with the Purchaser as the Purchaser may reasonably request in order for the Purchaser (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Purchaser may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided that the Issuer shall not be required to register as a dealer or broker in any jurisdiction or execute a general or special consent to service of process or qualify to do business in any jurisdiction or comply with any other requirements reasonably deemed by it to be unduly burdensome;

(l) The Bonds, the Resolution and the Issuer Documents, shall conform to the descriptions thereof contained in the Official Statement;

(m) No litigation is pending or, to the best knowledge of the Issuer, threatened in any court in any way affecting the existence of the Issuer or the title of any member of the Issuer to the office held by such member or employee, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or the collection of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the exclusion of interest on the Bonds from the gross income of the owners of the Bonds for federal income tax purposes, the Resolution or the Issuer Documents or contesting the completeness or accuracy of the Official Statement, or contesting the powers of the Issuer, or its authority with respect to the Bonds, the Resolution and the Issuer Documents;

(n) Any certificate relating to the issuance and delivery of the Bonds signed by an authorized member or officer of the Issuer and delivered to the Purchaser or Trustee at or prior to the Closing Date shall be deemed a representation and warranty by the Issuer in connection with this Purchase Contract to the Purchaser or the Trustee as to the statements made therein; and

(o) The Issuer agrees that all representations, warranties and covenants made by it herein, and in certificates, agreements or other instruments delivered pursuant hereto or in connection herewith, shall be deemed to have been relied upon by the Purchaser.

Section 4. Representations, Warranties and Agreements of the Borrower.

The Borrower represents, warrants and agrees with the Purchaser as follows:

(a) The Borrower is duly organized and existing as a limited partnership under the laws of the State, has full legal right, power and authority to own its properties and to conduct its business as described in the Official Statement and to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents and the Official Statement, and is duly qualified to do such business and is in good standing wherever such qualification and/or standing are required, including the State.

(b) By all necessary action, the Borrower has duly authorized and adopted the Borrower Documents and approved the execution and delivery of the Borrower Documents, and the performance by the Borrower of the obligations in connection with the issuance of the Bonds on its part contained in the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture, the Official Statement and the Borrower Documents in connection with the issuance of the Bonds.

(c) On the Closing Date, the Borrower Documents will constitute the valid, legal and binding obligations of the Borrower (assuming due authorization, execution and delivery by the respective other parties thereto, where necessary), enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

(d) As of the date hereof, the Borrower is not in any material respect in violation of, breach of or default under any applicable law of the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, which violation or breach of or default would have a material adverse effect upon the transactions contemplated by this Bond Purchase Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with or constitute on the part of the Borrower a violation or breach of or default under any law of the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound which violation, breach or default would have a material adverse effect upon the transactions contemplated by this Bond Purchase Agreement, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower

or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents.

(e) All consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or commission of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect or will be timely obtained.

(f) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation of which the Borrower has been notified, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Borrower, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers executing this Bond Purchase Agreement to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Bonds, the exclusion of interest on the Bonds from the gross income, for federal income tax purposes, of the owners of the Bonds, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Borrower, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Borrower's financial condition or operations or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

(g) The Borrower will furnish such information, execute such instruments and take such other action in cooperation with the Purchaser as the Purchaser may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Purchaser may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts upon the reasonable request of the Purchaser to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Borrower shall not be required to register as a dealer or broker of securities or execute a general or special consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

(h) Any certificate signed by the Borrower and delivered to the Purchaser or the Issuer pursuant to the Indenture or the Borrower Documents shall be deemed a representation and warranty by the Borrower to the Purchaser and the Issuer as to the statements made therein as of the date thereof.

(i) The Borrower will not take or omit to take any action, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under the Internal Revenue Code of 1986, as amended.

(j) The Borrower shall honor all other covenants contained in the Borrower Documents.

(k) All permits, licenses and other authorizations necessary for the ownership, acquisition, renovation, and equipping of the Development in the manner contemplated by the Official Statement and the Borrower Documents have been obtained or will be obtained by the time required, and said

ownership, acquisition, renovation, and equipping are not in conflict with any zoning or similar ordinance applicable to the Development.

(l) At the time of the Borrower's acceptance hereof and at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement (and including any supplements and amendments to the Official Statement) does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Bond Purchase Agreement by the Borrower shall constitute a representation to the Purchaser that the representations and warranties contained in this Section 4 are true as of the date hereof.

Section 5. Indemnification.

(a) The Borrower agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer, the Trustee, the Purchaser (collectively, the "Principal Indemnified Parties") and each affiliate, member, officer, director, official, employee and agent of the Issuer, the Trustee or the Purchaser and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (a "Control Person") (collectively referred to herein as the "Indemnified Parties"), against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees), causes of action (whether in contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the "Liabilities") caused by or directly or indirectly arising from or in any way relating to (i) the Bonds, the Loan, the Bond Loan Agreement, the Indenture, this Bond Purchase Agreement or any document related to the Bonds, the Loan (the "Transaction Documents") or any transaction or agreement, written or oral, pertaining to the foregoing or (ii) any untrue or misleading statement of a material fact contained in the portions of the Official Statement captioned "ESTIMATED SOURCES AND USES OF FUNDS," "THE DEVELOPMENT AND THE PARTICIPANTS," "CERTAIN BONDHOLDERS' RISKS" (but only with respect to those risks that expressly relate to the Borrower, the Development or the private participants) and "NO LITIGATION – The Borrower" or any omission or alleged omission from the portions of the Official Statement captioned "ESTIMATED SOURCES AND USES OF FUNDS," "THE DEVELOPMENT AND THE PARTICIPANTS," "CERTAIN BONDHOLDERS' RISKS" (but only with respect to those risks that expressly relate to the Borrower, the Development or the private participants) and "NO LITIGATION – The Borrower" of any material fact necessary to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however that the foregoing indemnity of an Indemnified Party pursuant to this Section 5(a) or Section 5(b) below shall not apply to any loss to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party or any affiliate, member, officer, director, official, employee, agent or Control Person of said Indemnified Party or of the Principal Indemnified Party with which said party is affiliated.

(b) The Borrower also agrees to pay, defend, protect, indemnify, save and hold harmless the Purchaser and each affiliate, member, officer, director, official, employee and agent of the Purchaser from and against all Liabilities directly or indirectly arising from or relating to any fraud or misrepresentations or omissions contained in the proceedings of the Issuer pertaining to the financial condition of the Borrower.

(c) Any Indemnified Party shall notify the Borrower of the existence of any Liability to which this indemnification obligation would apply and shall give to the Borrower an opportunity to defend the same at the Borrower's expense and with counsel reasonably satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense but not to take any action to settle the same without the approval of the Borrower which approval shall not be unreasonably withheld. Each Indemnified Party shall have the right to engage separate counsel in any such action or proceeding and participate in the investigation and defense of the action or proceeding and the Borrower shall be obligated to pay the reasonable fees and expenses of such separate counsel if the Indemnified Party reasonably determines that a conflict of interest exists between the interests of the Indemnified Party and the interests of the Borrower. If the Borrower shall, after this notice and within a period of time necessary to preserve any and all reasonable defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose reasonably satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk, cost and expense of, the Borrower.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in paragraph (a) or (b) of this Section 5 is for any reason held to be unavailable, the Borrower and the Purchaser shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Indemnified Parties may be subject, so that the Purchaser is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Purchaser in connection with the issuance and administration of the Bonds bear to the aggregate offering price of the Bonds, with the Borrower responsible for the balance; provided, however, that in no case shall the Purchaser be responsible for any amount in excess of the fees paid by the Borrower to the Purchaser in connection with the issuance and administration of the Bonds and provided further that the Borrower shall not be required to contribute for Liabilities arising from the gross negligence or willful misconduct of the Purchaser. No person guilty of fraudulent misrepresentation (within the meaning of Section 10(b) of the Securities Act of 1933) shall be entitled to contribution from any person who was not guilty of such misrepresentation.

(e) The Indemnified Parties, other than the Issuer, the Purchaser and the Trustee, shall be considered to be third-party beneficiaries of this Bond Purchase Agreement for purposes of this Section 5. The provisions of this Section 5 will be in addition to all liability that the Borrower may otherwise have under law or any other Borrower Document and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provisions for payment of the Bonds.

(f) The indemnification hereunder shall be in addition to, and shall not limit, any indemnity granted by the Borrower pursuant to the Bond Loan Agreement or any other document.

(g) Borrower shall be subrogated to an Indemnified Party's rights of recovery to the extent of any liabilities satisfied by Borrower. Such Indemnified Party shall execute and deliver such instruments and papers as are necessary to assign such rights and assist in the exercise thereof.

(h) Nothing herein shall be construed to create recourse debt to the Borrower for the Loan or the Bonds.

Section 6. Closing.

At 11:00 a.m., Eastern time, on _____, 2018, or at such time on such earlier or later date as shall be agreed upon in writing by the Issuer, the Borrower and the Purchaser, the Issuer shall direct the Trustee to deliver the Bonds to the Purchaser through the facilities of The Depository Trust Company (“DTC”), New York, New York, in definitive form, duly executed and authenticated by the Trustee. Subject to the terms and conditions hereof, the Issuer shall deliver at the Issuer’s offices the other documents and instruments to be delivered pursuant to this Bond Purchase Agreement (the “Closing Documents”) and the Purchaser shall accept delivery of the Bonds and Closing Documents and pay the purchase price for the Bonds by wire transfer, to the Trustee, in immediately available federal funds, for the account of the Issuer or as the Issuer shall direct. As a condition precedent to such acceptance, the Purchaser shall have received the Underwriting Fee by wire transfer in immediately available federal funds to the order of the Purchaser, in such manner as shall be agreed upon by the Borrower and the Purchaser (but in no event shall such fee be netted against the purchase price of the Bonds). This delivery and payment is herein called the “Closing” and the date on which the Closing occurs is herein called the “Closing Date.”

Section 7. Closing Conditions.

The Purchaser has entered into this Bond Purchase Agreement in reliance upon representations, warranties and agreements of the Issuer and the Borrower contained herein, in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer and the Borrower of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Purchaser’s obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject to the performance by the Issuer and the Borrower of their obligations to be performed by them hereunder at or prior to the Closing, and to the accuracy in all material respects of the representations and warranties of the Issuer and of the Borrower contained herein as of the date hereof and as of the Closing as if made on the Closing Date, and shall also be subject to the following additional conditions:

(a) At the time of the Closing, the Resolution shall have been duly approved and adopted by the Issuer and shall be in full force and effect and the Issuer Documents shall have been duly authorized, executed and delivered, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Purchaser and there shall have been taken in connection therewith and in connection with the issuance of the Bonds all such actions as, in the opinion of Bond Counsel, and counsel for the Purchaser, shall be necessary and appropriate in connection with the transactions contemplated hereby.

(b) The Purchaser may terminate this Bond Purchase Agreement by notification to the Issuer and the Borrower if at any time subsequent to the date hereof and at or prior to the Closing:

(i) (A) legislation shall be enacted by the Congress of the United States or adopted by the Senate or House of Representatives of the United States, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to the Senate or House of Representatives by any committee of either such body to which such legislation has been referred for consideration or by a conference committee of such bodies, (B) a decision shall be rendered by a court of the United States or by the Tax Court of the United States, (C) a ruling, regulation or official action shall be rendered by or on behalf of the United States, or (D) a ruling, regulation or official action shall be proposed or issued, in any manner, including by pronouncement, press release or any other form of notice, by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or another governmental agency of

the United States or by or on behalf of any member of the Senate or House of Representatives of the United States in any such instance with respect to federal taxation of interest received on obligations of the general character of the Bonds and which (1) in the reasonable opinion of counsel for the Purchaser would have or proposes action which would have the effect of making such interest includable in gross income for federal income tax purposes or (2) which, in the reasonable opinion of the Purchaser would materially adversely affect any intended utilization of Bond proceeds or other intended action described in the Official Statement;

(ii) between the date hereof and the Closing, payment for and delivery of the Bonds is rendered impracticable or inadvisable because (A) trading in securities generally shall have been suspended on the New York Stock Exchange or a general banking moratorium shall have been established by Federal or New York authorities or (B) a war involving the United States shall have been declared, or there shall have occurred any other outbreak or escalation of hostilities or another national or international calamity shall have occurred, the effect of any of which, in the reasonable judgment of the Purchaser materially adversely affects the marketability of the Bonds (it being agreed by the parties hereto that there is no war or national calamity of such a nature as of the date hereof);

(iii) any event shall occur or exist which, in the reasonable judgment of the Purchaser either makes untrue or incorrect in any material respect any statement or information contained in the Official Statement, as amended and supplemented, any statement or information is not reflected in the Official Statement, as amended and supplemented, but should be reflected therein for the purpose for which the Official Statement is to be used in order to make the statements or information contained therein not misleading in any material respect;

(iv) legislation shall be enacted, or any action shall be taken by the Securities and Exchange Commission, which, in the opinion of counsel for the Purchaser has or may have the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended;

(v) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service of the Bonds;

(vi) the purchase of and payment for the Bonds by the Purchaser, or the resale of the Bonds by the Purchaser, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission;

(vii) an occurrence, in the reasonable judgment of the Purchaser, of a material adverse change in the capital markets which makes the syndication, sale or financing contemplated hereby impractical or which makes it inadvisable to proceed with the syndication, sale or financing contemplated hereby on the terms, manner and basis contemplated hereby; or

(viii) any fact or event shall exist or have existed that, in the Purchaser's judgment, requires or has required an amendment of or supplement to, the Official Statement.

(c) At or prior to the Closing, the Purchaser shall receive the following documents:

(i) an approving opinion of Bond Counsel addressed to the Issuer, dated the Closing Date substantially in the form attached to the Official Statement, and a reliance letter of such counsel dated the Closing Date and addressed to the Purchaser and the Trustee;

(ii) opinions or certificates, as the case may be, dated the Closing Date and addressed to the Purchaser and to such other parties as may be appropriate, of

(A) Bond Counsel, substantially in the form attached hereto as Appendix A;

(B) Borrower's Counsel, in form and substance satisfactory to the Purchaser and Bond Counsel; and

(C) Counsel to the Trustee, substantially in the form attached hereto as Appendix B.

(d) The Purchaser shall have received an opinion of its counsel in a form satisfactory to the Purchaser;

(e) The Purchaser shall have received an opinion of the Office of the General Counsel of the City of Jacksonville, Florida, Counsel to the Issuer, dated the Closing Date and addressed to the Issuer, with a reliance letter to the Purchaser and the Trustee, to the effect that (i) to the best of its knowledge, no litigation before any court of the United States of America sitting in the State is pending or, to its knowledge, threatened in any way affecting the existence of the Issuer or the titles of its members to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or application of revenues or securities pledged or to be pledged under the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Issuer Documents, the Resolution, or any action of the Issuer contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the Issuer or its authority with respect to the Bonds, the Issuer Documents, the Resolution, or any action on the part of the Issuer contemplated by any of said documents or the Official Statement nor to their knowledge is there any basis therefore; (ii) the Issuer is a duly organized and existing public body corporate and politic of the State, acting pursuant to the Act, with full legal right, power and authority to perform all of its obligations under this Bond Purchase Agreement, the Bonds, the other Issuer Documents, and the Resolution, and the Issuer has duly adopted the Resolution which Resolution is now in full force and effect, and has duly authorized, endorsed and delivered this Bond Purchase Agreement, and duly authorized, executed and delivered, or caused to be delivered the Issuer Documents, the Bonds and the Official Statement, and (assuming due authorization, execution and delivery by the other parties thereto, where necessary) Issuer Documents and the Bonds constitute legal, valid and binding agreements of the Issuer enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws or equitable principles relating to or limiting creditors' rights generally, and provided that no opinion need be expressed as to the availability of equitable remedies); (iii) the adoption of the Resolution, and the execution of this Bond Purchase Agreement, and the execution and delivery of Issuer Documents, the Bonds and the other instruments contemplated by any of such documents to which the Issuer is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note,

ordinance, resolution, indenture, contract, agreement or other instrument or is otherwise subject or bound; (iv) all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Issuer of its obligations under the Bonds and this Bond Purchase Agreement have been obtained and are in full force and effect; and (v) the statements contained in the Official Statement under the Issuer Information and “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT” (insofar as such statements purport to summarize certain provisions of the Land Use Restriction Agreement) are true and correct in all material respects;

(f) The Purchaser and the Borrower shall have received a certificate, dated the Closing Date and signed on behalf of the Issuer, to the effect that:

(i) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, by or before any court, public board or body, pending or to the Issuer’s knowledge threatened against or affecting the Issuer (or to the knowledge of the Issuer, any meritorious basis therefore), wherein an unfavorable decision, ruling or finding would: (a) affect the creation, existence or powers of the Issuer, or the title to the office of the officers thereof, (b) limit, enjoin or restrain the issuance, sale and delivery of the Bonds, or the payment, collection or application of the revenues and limit, enjoin or restrain other moneys and securities pledged or to be pledged under the Indenture or the pledge thereof, (c) contest or affect any of the rights, powers, duties or obligations of the Issuer with respect to the moneys and assets pledged or to be pledged to pay the principal of or redemption price, if any, or interest on the Bonds, (d) question or affect the authority for or validity of the Bonds, the Indenture, the Issuer Documents and the applicable Borrower Documents to which the Issuer is a party or the Resolution, or (e) question or affect its obligations as contemplated by any other agreement or instrument executed and delivered by the Issuer in connection with the issuance of the Bonds;

(ii) the Issuer has complied or will comply with all agreements, covenants and arrangements and has satisfied all conditions on its part to be complied with, performed or satisfied in connection with the issuance and delivery of the Bonds at or prior to the Closing Date; and

(iii) the representations and warranties of the Issuer contained herein, and in the Issuer Documents are true, complete and correct in all material respects as of the Closing Date;

(g) a certificate of the Issuer and the Borrower as to arbitrage and other federal tax matters in form and substance acceptable to Bond Counsel and the Purchaser.

(h) a certificate of the Borrower, dated the Closing Date, that (A) each of the representations and warranties set forth in the Borrower Documents (including this Bond Purchase Agreement) is true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date, (B) to the Borrower’s knowledge, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading in any material respect, and (C) the Borrower has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under the Borrower Documents at or prior to the Closing Date.

(i) counterpart originals or certified copies of each of the Issuer Documents, Borrower Documents and Trustee Documents.

(j) written evidence satisfactory to the Purchaser that S&P Global Ratings has issued a rating of “AA+” for the Bonds which rating has not been placed under review or on “Credit Alert” with negative implications or a similar credit alert by a national rating service and such rating shall be in effect on the Closing Date.

(k) such agreements, certificates and opinions as requested by the Purchaser to evidence the closing of the Loan.

(l) such additional legal opinions, certificates (including any certificates necessary or desirable in order to establish the exclusion of the interest on the Bonds from gross income for federal income tax purposes), instruments and other documents as the Purchaser may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Issuer’s representations herein and in the Official Statement and the due performance or satisfaction by the Issuer at or prior to such date of all agreements then to be performed, and all conditions then to be satisfied by the Issuer.

If the obligations of the Purchaser shall be terminated for any reason permitted by this Bond Purchase Agreement, neither the Purchaser nor the Issuer shall be under further obligation hereunder.

Section 8. Expenses.

The Purchaser shall be under no obligation to pay, and the Borrower hereby agrees to pay, all expenses incident to the performance of the Issuer’s obligations hereunder, including, but not limited to, (a) the costs of printing and preparation for printing or other reproduction for distribution and use in connection with the offering and placement of the Bonds, such number of copies as the Purchaser shall require of the Indenture, the Resolution and the Official Statement, as well as any delivery costs incurred in connection with the distribution of the foregoing documents; (b) the cost of preparing the definitive Bonds; (c) the fees and disbursements of Bond Counsel in connection with the authorization and issuance of the Bonds; the fees and expenses of the Trustee and its counsel; the fees and expenses of the Issuer and its counsel; and the fees and disbursements of any other experts or consultants retained by the Issuer; (d) the fees of any rating agencies in connection with the rating of the Bonds; (e) all advertising expenses in connection with the public offering of the Bonds; (f) the fees and expenses of counsel to the Purchaser; and (g) all other expenses in connection with the offer, sale and placement of the Bonds. The Borrower shall also pay for any expenses (included in the expense component of the Purchaser’s discount) incurred by the Purchaser which are incidental to implementing this Bond Purchase Agreement and the issuance of the Bonds, including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs. The Borrower acknowledges it had an opportunity, in consultation with such advisors as it deemed appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

The Issuer shall not have any obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bonds.

Section 9. Notices.

Any notice or other communication to be given to the Issuer or the Borrower at the respective addresses set forth on the first page hereof and any such notice or other communication to be given to the

Purchaser may be given by mailing the same to RBC Capital Markets, LLC, 100 2nd Avenue South, Suite 800, St. Petersburg, Florida 33701, Attention: Ms. Helen H. Feinberg.

Section 10. Parties in Interest.

This Bond Purchase Agreement is made solely for the benefit of the Issuer, the Borrower and the Purchaser (including any successor or assignees of the Purchaser), and, except as provided in Section 5 hereof, no other party or person shall acquire or have any right hereunder or by virtue hereof.

Section 11. Amendments.

This Bond Purchase Agreement may not be amended without the written consent of the Issuer, the Borrower and the Purchaser.

Section 12. Survival of Representations and Warranties.

The representations and warranties of the Issuer and the Borrower shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Purchaser (or statements as to the results of such investigations) concerning such representations and statements of the Issuer and the Borrower and regardless of delivery of and payment for the Bonds.

Section 13. Execution in Counterparts.

This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14. No Prior Agreements.

This Bond Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds for the Issuer.

Section 15. Effective Date.

This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Issuer and the Borrower and shall be valid and enforceable as of the time of such acceptance.

Section 16. Governing Law.

This Bond Purchase Agreement shall be governed by the internal laws of the State without giving effect to the conflict of law principles of the State. Venue shall be in the 4th Judicial Circuit of Florida for Duval County.

Section 17. Bidding Agent; Purchaser Not Acting as Advisor or Fiduciary.

The Purchaser will also serve as bidding agent for certain of the Permitted Investments to be purchased with amounts on deposit in the Project Fund, Collateral Fund and Bond Fund under the Indenture. For this service, the Purchaser will be compensated a fee of \$2,500 by the provider of such Permitted Investments. This fee is separate from and in addition to the Underwriting Fee.

The Issuer and the Borrower each acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction among the Issuer, the Borrower, and the Purchaser, (ii) in connection therewith and with the discussions, undertaking and procedures leading up to the consummation of such transaction, the Purchaser is and has been acting solely as a principal and is not acting as the agent, advisor, or fiduciary of the Issuer or the Borrower, (iii) the Purchaser has not assumed an advisory or fiduciary responsibility in favor of the Issuer or the Borrower with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Purchaser has provided other services or is currently providing other services to the Issuer or the Borrower on other matters) and the Purchaser has no obligation to the Issuer or the Borrower with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement and (iv) the Issuer and the Borrower have consulted their own legal, financial and other advisors to the extent they deem appropriate.

Section 18. Establishment of Issue Price.

(a) The Purchaser agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Purchaser, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. As applicable, all actions to be taken by the Issuer under this section to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer's municipal advisor and any notice or report to be provided to the Issuer may be provided to the Issuer's municipal advisor.

(b) Except as otherwise set forth in Section 1 hereto, the Issuer will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Purchaser shall report to the Issuer the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Purchaser agrees to promptly report to the Issuer the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(c) The Purchaser confirms that it has offered the Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Section 1 hereto, except as otherwise set forth therein. Section 1 also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Issuer and the Purchaser, agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Purchaser will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Purchaser has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Purchaser shall promptly advise the Issuer when it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(d) The Purchaser confirms that any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Purchaser that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Purchaser. The Issuer acknowledges that, in making the representation set forth in this subsection, the Purchaser will rely on in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires. The Issuer further acknowledges that the Purchaser shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) The Purchaser acknowledges that sales of any Bonds to any person that is a related party to an Purchaser shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

[Remainder of Page Intentionally Left Blank]

If the foregoing is in accordance with your understanding of the Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Issuer, the Borrower and the Purchaser in accordance with its terms.

Very truly yours,

RBC CAPITAL MARKETS, LLC

By: _____
Name: Helen H. Feinberg
Title: Managing Director

[Signatures continue on next page]

[Issuer's Signature Page to the Bond Purchase Agreement]

ACCEPTED at Jacksonville, Florida _____ .m. Eastern time this ____ day of _____, 2018.

JACKSONVILLE HOUSING FINANCE AUTHORITY

By: _____
Name: William I. Gulliford, III
Title: Chair

[Signatures continue on next page]

[Borrower's Signature Page to the Bond Purchase Agreement]

CAROLINE ARMS PRESERVATION, LTD.,
a Florida limited partnership

By: Affordable Housing Institute, Inc.,
a Florida not for profit corporation,
its General Partner

By: _____
Bryan Hartnett, President

SCHEDULE I

DISCLOSURE LETTER

_____, 2018

Jacksonville Housing Finance Authority
214 N. Hogan Street, 7th Floor
Jacksonville, Florida 32202

Ladies and Gentlemen:

In reference to the issuance of those certain \$12,800,000 Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the “Bonds”), RBC Capital Markets, LLC (the “Purchaser”), pursuant to the Bond Purchase Agreement (the “Purchase Contract”) between the Purchaser, Caroline Arms Preservation, Ltd. (the “Borrower”) and the Jacksonville Housing Finance Authority (the “Issuer”), hereby makes the following disclosures to the Issuer:

1. The Purchaser is acting as underwriter to the Issuer for the public offering of the Bonds. The total fee to be paid to the Purchaser pursuant to the Purchase Contract is equal to approximately \$[_____] per bond, of the total face amount of the Bonds, or \$[_____].

2. The estimated expenses not included in the above number to be incurred by the Purchaser and to be charged to the Borrower in connection with the issuance of the Bonds are:

Purchaser’s Counsel (including disbursements) \$[_____] (or \$[_____] per Bond)

3. The names, addresses and estimated amounts of compensation of any person who is not regularly employed by, or not a partner or officer of, an underwriter, bank, banker or financial consultant or advisor and who enters into an understanding with either the Issuer or the Purchaser, for any paid or promised compensation or valuable consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the Issuer and the Purchaser or who exercises or attempts to exercise any influence to effect any transaction in the purchase of the Bonds are:

None

4. The amount of the underwriting risk and takedown expected to be realized is:

Takedown/Concession \$[_____] or \$[_____] per Bond.

5. The amount of the management fee to be charged by the Purchaser is:

\$[_____] or \$[_____] per Bond.

6. Any other fee, bonus, and other compensation estimated to be paid by the Purchaser in connection with the Bonds to any person not regularly employed or retained by the Purchaser is as follows:

Fee and Expenses

\$[_____] or \$[_____] per Bond (in addition to Purchaser’s Counsel fee)

7. The Issuer is proposing to issue \$[] of debt or obligation for the purpose of financing the Development. This debt or obligation is expected to be repaid over a period of [] years. At a forecasted interest rate of []%, total interest paid over the life of the debt or obligation will be \$[].

8. The source of repayment or security for the Bonds is the Trust Estate. Authorizing this debt or obligation will result in \$0.00 of the Issuer's moneys not being available to finance the other services of the Issuer each year the Bonds are Outstanding.

9. The name and address of the Purchaser connected with the Bonds is:

RBC Capital Markets, LLC
100 2nd Avenue South, Suite 800
St. Petersburg, Florida 33701

RBC CAPITAL MARKETS, LLC

By: _____
Name: Helen H. Feinberg
Title: Managing Director

APPENDIX A

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

_____, 2018

Jacksonville Housing Finance Authority
214 N. Hogan Street, 7th Floor
Jacksonville, Florida 32202

RBC Capital Markets, LLC
100 2nd Avenue South, Suite 800
St. Petersburg, Florida 33701

Re: \$12,800,000 Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018

[After appropriate introductory language, the opinion shall state substantially as follows:]

(1) We have reviewed the statements contained in the Official Statement under the sections “SECURITY FOR THE BONDS,” “THE BONDS,” APPENDIX A – “DEFINITIONS,” and APPENDIX B “DOCUMENT SUMMARIES” (excluding the information under the heading “Summary of Certain Provisions of the Land Use Restriction Agreement”) and believe that insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture or the Bond Loan Agreement, such statements are accurate summaries of the provisions purported to be summarized. We have also reviewed the information contained in the Official Statement under the section captioned “TAX MATTERS” and believe that such information is accurate.

Other than as set forth above, we express no opinion with respect to the accuracy, completeness, fairness or sufficiency of the Official Statement, the statistical or financial data contained therein, or any exhibit or attachments thereto or with respect to DTC and its book-entry system.

(2) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

This opinion letter may be relied upon by you only and only in connection with the transaction to which reference is made above and may not be used or relied upon by any other person for any purposes whatsoever without our prior written consent. The delivery of this letter to a non-client does not create an attorney-client relationship.

The opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

APPENDIX B

OPINION OF COUNSEL TO THE TRUSTEE

_____, 2018

Jacksonville Housing Finance Authority
214 N. Hogan Street, 7th Floor
Jacksonville, Florida 32202

RBC Capital Markets, LLC
100 2nd Avenue South, Suite 800
St. Petersburg, Florida 33701

The Bank of New York Mellon
Trust Company, N.A., as trustee
10161 Centurion Parkway N.
Jacksonville, Florida 32256

Re: \$12,800,000 Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018

Ladies and Gentlemen:

We have served as counsel to The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), in connection with the issuance by the Jacksonville Housing Finance Authority (the “Issuer”) of its \$12,800,000 Multifamily Housing Revenue Bonds (Caroline Arms Apartments), Series 2018 (the “Bonds”), pursuant to the Trust Indenture dated as of June 1, 2018 (the “Indenture”) by and between the Issuer and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

In that connection we have examined originals or copies certified or otherwise identified to our satisfaction of: (i) the Indenture; (ii) the Land Use Restriction Agreement dated as of June 1, 2018, by and among Caroline Arms Preservation, Ltd., a Florida limited partnership (the “Borrower”), the Issuer and the Trustee; (iii) the Continuing Disclosure Agreement dated as of June 1, 2018, by and between the Borrower and the Trustee, as Dissemination Agent; (iv) the Arbitrage Rebate Agreement dated _____, 2018 by and between the Issuer and the Borrower, and acknowledged by the Trustee; (the documents referred to in clauses (i) through (iv) preceding are collectively referred to as the “Trustee Documents”); (v) the Articles of Association and by-laws of the Trustee; and (vi) such other documents as we have deemed necessary for purposes of this opinion. We have not been asked to review or express any opinion with respect to any documents other than the Trustee Documents, and our opinion, accordingly, is limited to those documents.

In rendering the opinions expressed herein, we have assumed: (a) the genuineness of the signatures of all persons (other than representatives of the Trustee) executing instruments or documents examined or relied upon by us and the capacity of all natural persons; (b) the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies; (c) the correctness and accuracy of all facts set forth in all certificates and reports identified in this opinion; and (d) compliance with all requirements of the Indenture to be met in connection with the issuance of the Bonds. In addition, we have relied upon certificates of public officials as to matters contained therein and upon certain certificates of representatives of the Trustee as to matters of fact. Any opinion expressed herein as being made “to our knowledge” means the lawyers currently in this firm who are actively involved in negotiating or documenting this transaction are without any actual knowledge or conscious awareness that the opinion or confirmation is untrue in any respect material to the opinion or confirmation.

In rendering the opinions expressed below, we have also assumed, to the extent relevant with respect to the Trustee Documents and any other documents referred to in this opinion, that:

(A) to the extent such documents purport to constitute agreements, they constitute legal, valid, binding and enforceable obligations of all of the parties to such documents (other than the Trustee); and

(B) all parties to such documents (other than the Trustee) have obtained all approvals, authorizations, consents and licenses from, and have made all filings and registrations with, all governmental or regulatory authorities or agencies required for the execution or delivery of, or for the incurrence or performance of any obligations under, any of such documents, and the incurrence and performance by the Trustee of its obligations under any such documents comply with applicable laws of any jurisdiction where such obligations are to be incurred or performed (other than those specifically opined to herein).

Based on the foregoing we are of the opinion that

1. The Trustee is a national banking association, duly organized, validly existing and in good standing under the laws of the United States of America.

2. The Trustee has full corporate power and authority, including all necessary trust powers, to execute and deliver the Trustee Documents and to perform its obligations thereunder and to authenticate the Bonds.

3. The Trustee Documents constitute valid and binding obligations of the Trustee, enforceable against the Trustee in its capacity therein stated. The Bonds have been duly authenticated by an authorized officer of the Trustee.

4. Neither the execution nor delivery by the Trustee of the Trustee Documents nor the performance by the Trustee of its duties thereunder will result in any violation of the Articles of Association or by-laws of the Trustee, and no approval or other action by any governmental authority or agency having supervisory authority over the Trustee is required to be obtained by the Trustee in order to authorize or permit the Trustee to execute and deliver the Indenture or to perform its duties thereunder.

5. To our knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, regulatory agency, public board or body pending or overtly threatened in writing against or affecting the creation, organization or existence of the Trustee where an unfavorable decision, ruling or finding on an issue raised by any party thereto is likely to materially and adversely affect the ability of the Trustee to perform its obligations under the Trustee Documents.

For purposes of our opinions in paragraphs 2 and 3 above, we reviewed only those statutes, rules and regulations that in our experience are applicable to transactions by a bank performing corporate trust functions of the type contemplated by the Trustee Documents.

Our opinion concerning the validity, binding effect and enforceability of the Trustee Documents means that (i) each of the Trustee Documents constitutes an effective contract under applicable law, (ii) the Trustee Documents are not invalid in their entirety because of a specific statutory prohibition or public policy and are not subject in their entirety to a contractual defense, and (iii) subject to the last sentence of this paragraph, some remedy is available if the Trustee is in material default under the Trustee

Documents. This opinion does not mean that (a) any particular remedy is available upon a material default, or (b) every respective provision of the Trustee Documents will be upheld or enforced in any or each circumstance by a court. Furthermore, the validity, binding effect and enforceability of the Trustee Documents may be limited or otherwise affected by (A) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statutes, rules, regulations or other laws affecting the enforcement of creditors' rights and remedies generally and (B) the unavailability of, or limitation on the availability of, a particular right or remedy (whether in a proceeding in equity or at law) because of an equitable principle or a requirement as to commercial reasonableness, conscionability or good faith.

To the extent, if any, to which the same may be relevant to our opinions hereinabove set forth, we express no opinion as to any provision of the Trustee Documents that (i) relates to severability or separability, or (ii) relates to indemnification, to the extent such indemnification is not within the reasonable contemplation of the parties or is contrary to public policy, federal or state securities laws or the policy underlying such laws, or (iii) purports to authorize the Trustee to file and prove a claim in any bankruptcy or insolvency proceeding for sums not yet due. In addition, we express no opinion as to the enforceability of any provision of the Trustee Documents to the extent related to any failure to comply with requirements concerning notices, relating to delay or omission to enforce rights or remedies or purporting to waive or affect rights, claims, defenses, or the application of any provision of law or other benefits to the extent that any of the same cannot be waived or so affected under applicable law. Further, we express no opinion, and no such opinion is to or may be inferred herefrom, relating to the applicability or effect of any federal or state tax or securities laws, including, but not limited to, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Trust Indenture Act of 1939, as amended, or any state securities or "blue sky" law with respect to any Trustee Document. Finally, we express no opinion as to the status of any Trustee Document under any usury law.

No opinion is expressed as to the matters relating to the laws of any jurisdiction other than federal laws and the laws of the State of Florida (other than municipal and local ordinances and regulations as to which we do not opine).

This opinion is furnished by us as counsel for the Trustee, as trustee, to the persons to whom this opinion is addressed and is solely for the benefit of such persons, may not be relied upon by any other person or entity, and may not be disclosed, quoted, filed with a governmental agency or otherwise referred to without the prior written consent of the undersigned. This opinion speaks as of its date, and we undertake no (and hereby disclaim any) obligation to update this opinion.

Very truly yours,

**FIRST AMENDMENT TO
PRELIMINARY AGREEMENT**

This **FIRST AMENDMENT TO PRELIMINARY AGREEMENT** (this "First Amendment"), made and entered into as of June [___], 2018, between the **JACKSONVILLE HOUSING FINANCE AUTHORITY**, a body corporate and politic of the State of Florida (the "Authority"), and **MILLENNIA JACKSONVILLE FL TC LP**, a Florida limited partnership and its permitted successors and assigns (the "Company"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Original Agreement (as defined below).

WITNESSETH:

WHEREAS, the Authority and the Company previously entered into that certain Preliminary Agreement, dated as of November 1, 2017 (the "Original Agreement"); and

WHEREAS, the parties now desire to amend the Original Agreement as set forth herein.

NOW, THEREFORE, for and in consideration of the mutual agreements and covenants hereinafter contained, the sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Amendment. All references to June 30, 2018 in the Original Agreement are hereby revised to October 23, 2018.

Section 2. Applicability of Original Agreement. Except as specifically amended and modified herein, the Original Agreement shall remain in full force and effect. This First Amendment shall not be construed as approving any subsequent amendment requests.

Section 3. Counterparts. This First Amendment may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

Section 4. Laws. This First Amendment shall be construed and governed in accordance with the laws of the State of Florida, Duval County.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Authority and the Company have executed this First Amendment by duly authorized representatives, all as of the [__] day of June, 2018.

[SEAL]

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

By: _____

Title: Chair

COMPANY:

MILLENNIA JACKSONVILLE FL TC LP

By: Jacksonville TC Investment, LLC
its general partner

By: _____

Name:

Title:

THE HENDRICKSON COMPANY

MEMORANDUM

To: Jacksonville Housing Finance Authority Board of Directors

From: Mark Hendrickson, Financial Advisor

Subject: Analysis of the Desert Winds/Silver Creek Bond Application

Date: June 6, 2018

Attached is an analysis of the Desert Winds/Silver Creek bond application. Several items used in the analysis were requested after receipt of the application, and this is part of the normal review process. All additional materials were forwarded to Laura Stagner to be made part of the permanent public record.

The two developments are physically adjacent and operated as a single development. The buyer is a related party and the two developments are one for legal and financing purposes (however, they have separate HAP contracts).

I. Summary of Findings

A. Summary of key criteria:

Question	Desert Winds/Silver Creek
Are the developments economically feasible as submitted?	Yes
Are the costs/fees associated with the development reasonable and appropriate?	Yes
Is the experience of the development team adequate?	Yes
If feasible, is it ready to proceed to closing in 2018?	Yes, late 2018
Is the product being proposed adequate in terms of design and amenities?	No, waivers requested that are not recommended for approval
Is the product being proposed adequate in terms of ongoing resident services?	Yes
Are the income targeting and length of set-aside adequate?	Yes
Any special impact on redevelopment?	Yes, rehabilitating 54 to 56-year old Section 8 units
Did the responses within the application contain adequate responses to important questions, relating to financing and other key issues?	Yes, once all materials were submitted
Recommend Inducement?	Yes, with provisions related to waiver requests incorporated into the approval

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B. Summary of the Proposed Development

Name	Desert Winds/Silver Creek
Owner Entity	LRC Desert-Silver LLC
Developer/Location	LEDIC Realty Management Montgomery, AL
Type	Acquisition and Rehabilitation Garden
Street Address	300 Silver Creek Trace 32216
City Council District	Scott Wilson
Units	304
Bedrooms	736
Square Feet	268,597
# of Buildings	37, 30 residential, 2 laundry, 2 maintenance, 1 exercise, 1 community and 1 office
# of Stories	2
Bond Request	\$24,980,000 \$82,171/unit
Total Cost	\$36,850,829
Cost Per Unit	\$121,220
Land Cost	\$2,820,000 \$9,276/unit
Acquisition of Building Cost	\$15,980,000 \$52,566/unit
Hard Construction Cost	\$9,061,026 \$29,806/unit \$33.74/Sq. Ft.
General Contractor	Whitestone Construction
Credit Enhancement	FHA 223(f)
Set-Aside Period	50 years
Set-Aside Levels	98%<60% AMI (297 of 304 units)

C. Summary of Findings and Recommendations for Desert Winds/Silver Creek:

1. The development appears economically feasible.
2. The development's resident programs meet or exceed minimum JHFA requirements.
3. While the unit and development amenities meet most JHFA standards, the Applicant is requesting waivers on several items. The waivers are not recommended, unless the credit underwriter determines they are not feasible, including requiring a 50% deferred developer fee to generate the funds needed to pay for the required items where waivers are requested.
4. The costs and fees associated with the development appear to be reasonable.
5. Although the development's energy efficiency items meet most JHFA standards, and a waiver of one features has been requested. There are four items that could be selected to meet the additional requirement. The waiver is not recommended, unless the credit underwriter determines that none of the four are feasible, including requiring a 50% deferred developer fee to generate the funds needed

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to pay for the required one additional feature.

6. Each site is controlled by the Applicant, has proper zoning, and has evidence of availability of water, sewer, roads and electricity. The transactions could close in the second and third quarter of 2018.
 7. The developer and development team have extensive experience in affordable housing, and have successfully closed bond deals with JHFA.
 8. The credit underwriter will order and evaluate an independent market analysis.
 9. **Recommendations:**
 - Permit Desert Wind/Silver Creek to proceed through the JHFA financing process, with denial of various waiver requests as detailed in this memorandum.
 - Adopt Inducement Resolution prepared by bond counsel, which includes Preliminary Agreements.
 - All items subject to review and approval of credit underwriter and counsel, including but not limited to preconstruction analysis, appraisal, market study, loan terms and amount, guaranties, credit enhancement, loan and bond documents.
 - All items subject to conditions in this memorandum and each development's individual memorandum.
-

II. Desert Winds/ Silver Creek Analysis:

Desert Winds and Silver Creek are adjacent properties that are operated as a single entity for legal and financing purposes. This is a proposed 304-unit acquisition and rehabilitation of garden apartment developments built in the Arlington/Southside area in 1972 and 1974. The development has 297 of the 304 units with project based rental assistance (Section 8).

A. Financing & Cost Analysis:

1. The financing structure uses short-term cash-collateralized publicly marketed tax-exempt bonds—providing access to 4% Housing Credits. The bonds will be retired at stabilization, with the permanent financing from a FHA 223(f) non-bond loan.
2. The Applicant provided a letter of interest for a \$24.98 million permanent loan from Highland Commercial Mortgage (the FHA 223(f) lender). The loan proceeds will be deposited with the trustee as cash-collateral for the bonds. The proposed loan would have a 35-year term, 35-year amortization, and an interest to be locked prior to bond closing (current estimate 3.6%). At stabilization, the loan proceeds would be used to retire the bonds.
3. The Applicant provided a Letter of Interest for Housing Credit syndication from PNC Real Estate. The price is \$0.88 per \$1 of credit. The proposed Sources and Uses overstates the amount of equity that

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will be available during construction, but that shortfall can be covered by increasing deferred developer fee during construction.

4. As this is a related party transaction, the FHFC allocation of Housing Credits for acquisition will be based upon an appraisal of the current value of the property, as opposed to the sales price. This could impact the amount of equity that will actually be generated, as compared to what the Applicant estimates.
5. The Applicant is not applying for SAIL or JHFA subordinate financing.
6. The developer proposes to defer \$1,931,276 of the \$4,903,217 developer fee (39%). This leaves a healthy margin to cover additional costs while still keeping the deferred fee in the 50% range.
7. **Financing & Cost Issues:**
 - The financing commitments are adequate for this stage of the process.

B. Sources:

Permanent Loan Period

Source	\$	Per Unit	% of Development Cost
FHA Loan	\$24,980,000	\$ 82,171	68%
Housing Credits	\$ 9,939,553	\$ 32,696	27%
SAIL & ELI	\$ 0	\$ 0	0%
JHFA Loan	\$ 0	\$ 0	0%
Deferred Developer Fee	\$ 1,931,276	\$ 6,353	5%
TOTAL	\$36,850,829	\$121,220	100%

C. Development Information, Including Design and Amenities

Unit Mix		
Bedroom/Baths	Number	Square Footage
1/1	24	537-702
2/1	144	708-850
3/1	120	938-1,072
4/1.5	16	987-1,179

1. Desert Winds/Silver Creek is a proposed 304-unit acquisition/rehabilitation family development, in thirty garden apartment buildings constructed in 1972 and 1974.

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2. In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act requirement, the following are also required amenities:
 - Air conditioning
 - Cable TV hook-up
 - Full sized appliances in all units
 - Exterior lighting for all buildings and parking areas
 - Window Treatment: vertical blinds
3. Unit amenities (in addition to those required) include:
 - Ceramic tile bathroom floors
 - Microwave
 - Steel entry door frames
 - Double compartment kitchen sink
4. Development amenities include:
 - 30-year expected life roofing (for roofs on 12 of 30 buildings that will be replaced—other roofs replaced within last 3 years with 25-year expected-life roofs)—WAIVER REQUEST
 - Termite prevention/detection system
 - Community Center or clubhouse
 - Playground/tot lot
 - Car care area
 - Childcare facility located within 3 miles of property
 - Public transportation located within one-half mile of property
 - Library /study room with minimum of 100 books and 5 magazine subscriptions
 - Outside Recreation area for older children: Outdoor pavilion
5. Mandatory Energy Conservation features:
 - Energy Star qualified refrigerator;
 - Energy Star qualified dishwasher: WAIVER REQUEST
 - Energy Star qualified washing machine, if provided by applicant;
 - Minimum SEER of 14 for unit air conditioners (excluding buildings with a central chiller system);
 - Caulk, weather strips, seal hole, cracks, etc. for rehabilitation developments
 - Sealed and insulated heating and cooling system ducts for rehabilitation developments (waiver requested)
 - Low-VOC paint for all interior walls (50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint);
 - Low-flow water fixtures in bathrooms--WaterSense labeled products or the following specifications:
 - Toilets: 1.6 gallons/flush or less
 - Faucets: 1.5 gallons/minute or less
 - Showerheads: 2.2 gallons/minute or less.

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- Programmable thermostat in each unit
6. Other energy conservation features:
- Exhaust fans in bathrooms
 - Energy Star rating for all windows
 - Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings
 - Eco-friendly cabinets
7. **Design, Amenity & Energy Efficiency Issues: Waivers Requested**
- The proposed development does not meet all requirements for unit and development amenities and energy conservation feature. They have submitted waiver request letters, that explains why the Applicant believes certain features cannot be provided due to either physical or financial feasibility. A copy of those letters is attached.
 - For the unit amenities, the Applicant selected items totaling 15 of required 25 points. They state that they cannot provide a gated or carded entry (3 points), fire sprinklers in all units (4 points), a dishwasher in each unit (3 points), and garbage disposals in all units (3 points). The 4 points for 30-year expected life roofing is achieved only via the waiver request related to replacement of newer roofs with 30-year expected life roofing when it is replaced in the future.
 - For the development amenities, the developer can achieve 14 of required 16 points. They cannot provide two or more parking spaces per unit due to size of property.
 - For energy efficiency, the developer cannot provide the mandatory Energy Star qualified dishwasher in each unit. The developer can provide 4 of the required 5 optional Green Building features, but the Applicant states they cannot provide a 5th due to financial constraints of the rehabilitation budget.
 - For the development amenities, a waiver is recommended for the parking spaces requirement.
 - The waiver request related to timing of replacement of roofing is also recommended.
 - However, the waivers related to fire sprinklers, dish washers, garbage disposals, and a 5th Optional Green Building Feature are not recommended for approval. The cost of each item should be evaluated by the credit underwriter to determine if the development budget can handle the costs. At this point, the developer is deferring only 39% of the developer fee—leaving over \$400,000 available to cover these costs while still deferring only 50% of the fee.

D. Public Purpose/ Resident Services

1. The set-aside period is for 50 years.
2. The income set-aside is 98% at 60% of area median income. However, 297 of the 304 of the units have project based rental assistance—therefore the actual income of the residents will be much lower than the set-aside requirement
3. The resident services/programs include (no optional services/programs selected):
 - Participation in Crime Free Multi-Housing Program sponsored by the Jacksonville Sheriff's Office (M)
 - Health Care Screening (M)

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- Resident Activities (M)
- On Site Voter Registration (M)
- Homeownership Opportunity Program (M)
- First-time homebuyer seminars (M)

4. Public Purpose Issues: None

- The Applicant is providing services and programs for residents that meet JHFA standards.

E. Ability to Proceed

1. Site control is established by a contract for purchase and sale. However, the purchaser is not the Applicant. The Applicant subsequently has submitted an assignment of the contract to the Applicant.
2. The site is zoned RMD-D, Residential Medium Density, for which the development is an allowable use (and the facility already exists).
3. As an existing facility, electricity, water, sewer and roads are available.
4. All other information was submitted as required, and no information submitted indicated there would be issues at this stage that would prevent the project from moving forward.
5. The applicant's schedule calls for a bond closing in November 2018. This may be optimistic given the processing time for FHA-insured loans.
6. **Ability to Proceed Issues: None.**

F. Experience of Development Team:

1. The developer and the members of the team that were identified have adequate experience with affordable housing, bond transactions, and housing credits. However, the experience is largely in other states (two deals in Florida), and they do not identify legal counsel that is Florida-based or familiar with the legal requirements of both FHFC and local HFA's.
2. The credit underwriter will review all team members.

Experience of Development Team Issues: None.

G. Other requirements: Expense and Indemnity Agreement

- The required Expense and Indemnity Agreement was executed.

H. Site Location and Market

1. This development is in Arlington/Southside (one block south of Atlantic, 3 blocks west of Southside Blvd.), It is an existing development with 98% of the units having project based rental assistance

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(Section 8). Accordingly, there are few market concerns.

2. An independent market study will be evaluated by the credit underwriter.
 3. **Site Location and Market Issues: None.**
-

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN, pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, of a public hearing by the Jacksonville Housing Finance Authority (the "Authority"), to be held on [_____] , 2018, at 214 N. Hogan Street, [__]th Floor, Room [__], Jacksonville, Florida, 32202, at [__:__] [a.m./p.m.] or as soon thereafter as possible, for the purpose of receiving comments and hearing discussion concerning the issuance by the Authority of its Multifamily Housing Revenue Bonds (Desert-Silver Project), Series 2018, in an aggregate face amount of not to exceed \$24,980,000 (the "Bonds"). The proceeds of the Bonds will be loaned to LRC Desert-Silver, LLC, or its permitted successors and assigns (the "Company"), and used for the purpose of financing all or a portion of the costs related to the acquisition and rehabilitation of multifamily residential housing facilities for persons or families of low, middle or moderate income located at 300 Silver Creek Trace, Jacksonville, Duval County, Florida 32216, consisting of approximately 304 units to be known as Desert Winds and Silver Creek Apartments (the "Project"). LRC Desert-Silver, LLC, or its affiliate, is expected to be the owner and operator of the Project.

All interested persons are invited to attend said hearing and, either personally or through their representatives, present oral or written comments and discussion concerning the proposed issuance of the Bonds for the purposes described in the preceding paragraph and the nature and location of the Project. Written comments may be submitted to the Jacksonville Housing Finance Authority, 214 N. Hogan Street, 7th Floor, Jacksonville, Florida, 32202. Should any person decide to appeal any decision made by the Authority at this hearing, or by the Council of the City of Jacksonville (the "City") with respect to the approval of the issuance of the Bonds for the purposes described in the preceding paragraph, he or she will need a record of the proceedings, and he or she may need to insure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. Comments made at the hearing are for the consideration of the Authority or the City and will not bind the Authority or the City to any action it may take.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate in this proceeding should contact the Jacksonville Housing Finance Authority at (904) 255-8200.

All interested persons are invited to attend and be heard and present their comments.

JACKSONVILLE HOUSING FINANCE AUTHORITY
Laura Stagner-Crites, Finance Director

RESOLUTION

RESOLUTION REGARDING THE OFFICIAL ACTION OF THE JACKSONVILLE HOUSING FINANCE AUTHORITY RELATIVE TO THE ISSUANCE OF NOT TO EXCEED \$24,980,000 AGGREGATE PRINCIPAL AMOUNT OF ITS MULTIFAMILY HOUSING REVENUE BONDS (DESERT-SILVER PROJECT), SERIES 2018, FOR THE PURPOSE OF FINANCING ALL OR A PORTION OF THE COSTS RELATED TO THE ACQUISITION AND REHABILITATION OF MULTIFAMILY RESIDENTIAL HOUSING FACILITIES FOR PERSONS OR FAMILIES OF LOW, MIDDLE OR MODERATE INCOME; AND FURTHER AUTHORIZING THE EXECUTION AND DELIVERY OF A PRELIMINARY AGREEMENT BY AND BETWEEN THE JACKSONVILLE HOUSING FINANCE AUTHORITY AND LRC DESERT-SILVER, LLC, OR ITS PERMITTED SUCCESSORS AND ASSIGNS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, LRC Desert-Silver, LLC and its permitted successors and assigns (the "Company") has applied to the Jacksonville Housing Finance Authority (the "Authority") to: (a) issue its Multifamily Housing Revenue Bonds (Desert-Silver Project), Series 2018 in a principal amount not to exceed \$24,980,000 (the "Bonds") for the purpose of financing all or a portion of the costs related to the acquisition and rehabilitation of multifamily residential housing facilities to be located at 300 Silver Creek Trace, Jacksonville, Duval County, Florida 32216 (the "County"), consisting of approximately 304 units to be commonly known as Desert Winds and Silver Creek Apartments (the "Project"), to be occupied by low, middle or moderate income persons in accordance with the Company's application submitted to the Authority, and (b) loan the proceeds of the Bonds to the Company pursuant to Chapter 159, Part IV, Florida Statutes, or such other provision or provisions of Florida law as the Authority may determine advisable (collectively, the "Act"); and

WHEREAS, a determination by the Authority to issue the Bonds under the Act, if so requested by the Company, in one or more issues or series not exceeding an aggregate principal amount of \$24,980,000 and to loan the proceeds thereof to the Company to finance the Project under a loan agreement or other financing agreement which will provide that payments thereunder be at least sufficient to pay the principal of and interest and redemption premium, if any, on such Bonds and such other costs in connection therewith as may be incurred by the Authority, will assist the Company and promote the purposes provided in the Act; and

WHEREAS, the Company shall be required to execute and deliver that certain Preliminary Agreement between the Authority and the Company relating to the issuance of the Bonds, the form of which is attached hereto as EXHIBIT A (the "Preliminary Agreement"); and

WHEREAS, in order to satisfy certain of the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, the Authority will hold a public hearing on the proposed issuance of the Bonds for the purposes herein stated, which hearing will be scheduled at least fourteen (14) days following the publication of notice of public hearing in a newspaper of general circulation in the County (a form of such notice is attached hereto as EXHIBIT B), which public hearing will be conducted in a manner that provides a reasonable opportunity for persons with differing views to be heard, both orally and in writing, on both the issuance of such Bonds and the location and nature of the portion of the Project to be financed with the proceeds therefrom; and

WHEREAS, it is intended that this Resolution ("Resolution") shall constitute official action toward the issuance of the Bonds within the meaning of the applicable United States Treasury Regulations.

NOW, THEREFORE, BE IT DETERMINED AND RESOLVED BY THE JACKSONVILLE HOUSING FINANCE AUTHORITY THAT:

SECTION 1. APPROVAL OF THE PROJECT. The acquisition and rehabilitation of the Project and the financing thereof by the Authority through the issuance of the Bonds, pursuant to the Act, will promote the health and welfare of the citizens of the County and will thereby serve the public purposes of the Act.

SECTION 2. EXECUTION AND DELIVERY OF THE PRELIMINARY AGREEMENT. The Chair or Vice Chair of the Authority is hereby authorized and directed to execute, for and on behalf of the Authority, the Preliminary Agreement providing understandings relative to the proposed issuance of the Bonds by the Authority to finance the Project in an aggregate principal amount not to exceed the lesser of: (a) \$24,980,000 or (b) the cost of the Project, as determined by the Authority with such changes, modifications, deletions and insertions as the Chair or Vice Chair, with the advice of Authority's counsel and bond counsel, may deem necessary and appropriate. Such execution and delivery shall be conclusive evidence of the approval thereof by the Authority.

SECTION 3. AUTHORIZATION OF THE BONDS. Subject to receipt by the Authority of at least \$24,980,000 of private activity bond allocation from the Division of Bond Finance, there is hereby authorized to be issued and the Authority hereby determines to issue the Bonds, if so requested by the Company and subject to the conditions set forth in the Preliminary Agreement and any subsequent resolution of the Authority related to the Bonds, in one or more issues or series in an aggregate principal amount not to exceed \$24,980,000 for the purpose of financing the Project. The Bonds shall be designated "Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds (Desert-Silver Project), Series 2018" or such other name or series designation as the Authority may subsequently determine. The Bonds shall not be issued unless such Bonds are in compliance with the applicable terms and conditions of the Authority's Multifamily Bond Allocation Policies and Procedures and Program Handbook (revised November 2016). The rate of interest payable on the Bonds shall not exceed the rate permitted by law.

SECTION 4. RECOMMENDATION FOR APPROVAL TO CITY COUNCIL OF THE CITY OF JACKSONVILLE, FLORIDA. The Authority hereby recommends the issuance of the Bonds and the financing of the Project for approval to the City Council of the City of Jacksonville, Florida (the "City"). The Authority hereby directs the Chair or Vice Chair, at the expense of the Company, to seek approval for the issuance of the Bonds and the financing of the Project by the City as the applicable elected representatives of the County under and pursuant to the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code").

SECTION 5. GENERAL AUTHORIZATION. The Chair, the Vice Chair, the Secretary and counsel for the Authority, the Authority's financial advisor and bond counsel, are hereby further authorized to proceed, upon execution of the Preliminary Agreement, with the undertakings provided for therein on the part of the Authority and are further authorized to take such steps and actions as may be required and necessary in order to cause the Authority to issue the Bonds subject to the terms and conditions set forth herein and in the Preliminary Agreement authorized hereby.

SECTION 6. AFFIRMATIVE ACTION. This Resolution is an affirmative action of the Authority toward the issuance of the Bonds, as contemplated in the Preliminary Agreement, in accordance with the purposes of the laws of the State of Florida (the "State") and the applicable United States Treasury Regulations.

SECTION 7. APPROVAL OF NOTICE OF PUBLIC HEARING. The form and publishing of the notice of public hearing attached hereto as EXHIBIT B is hereby approved by the Authority with such changes, modifications, deletions and insertions as the Chair or Vice Chair, with the advice of the Authority's counsel and bond counsel, may deem necessary and appropriate. The Authority hereby authorizes the public hearing required by Section 147(f) of the Code to be held by the Director of Finance, or her designee related to the Project and the Bonds.

SECTION 8. LIMITED OBLIGATIONS. The Bonds and the interest and premium, if any, thereon shall not constitute an indebtedness or pledge of the general credit or taxing power of the City, the County, the State or any political subdivision or agency thereof but shall be payable solely from the revenues pledged therefor pursuant to, among other things, a trust indenture, a loan agreement or financing agreement and a land use restriction agreement prior to or contemporaneously with the issuance of the Bonds.

SECTION 9. LIMITED APPROVAL. The approval given herein shall not be construed as (a) an endorsement of the creditworthiness of the Company or the financial viability of the Project, (b) a recommendation to any prospective purchaser of the Bonds, (c) an evaluation of the likelihood of the repayment of the debt service on the Bonds, or (d) an approval of any necessary re-zoning applications or for any other regulatory permits relating to the Project and the Authority shall not be construed by reason of its adoption of this Resolution to have made any such endorsement, finding or recommendation or to have waived any right of the City's or the Authority's rights or estopping the City or the Authority from asserting any rights or responsibilities it may have in that regard.

SECTION 10. SEVERABILITY. If any one or more of the covenants, agreements or provisions of this Resolution, or any of the documents attached hereto or contemplated hereby, should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution.

SECTION 11. EFFECTIVE DATE. This Resolution shall become effective immediately upon its passage.

APPROVED AND ADOPTED by the Jacksonville Housing Finance Authority this 18th day of June, 2018.

**JACKSONVILLE HOUSING
FINANCE AUTHORITY**

ATTEST:

By: _____
William I. Gulliford, III, Chair

By: _____
Name: _____
Title: _____

APPROVED AS TO LEGAL SUFFICIENCY:

By: _____
Office of the General Counsel

EXHIBIT LIST

EXHIBIT A – FORM OF PRELIMINARY AGREEMENT

EXHIBIT B – FORM OF NOTICE OF PUBLIC HEARING

EXHIBIT A
FORM OF PRELIMINARY AGREEMENT

EXHIBIT B
FORM OF NOTICE OF PUBLIC HEARING

PRELIMINARY AGREEMENT

This **PRELIMINARY AGREEMENT** (this "Preliminary Agreement") dated as of [____], 2018 between the **JACKSONVILLE HOUSING FINANCE AUTHORITY**, a body corporate and politic of the State of Florida (the "Authority"), and **LRC DESERT-SILVER, LLC**, a Florida limited liability company and its permitted successors and assigns (the "Company").

W I T N E S S E T H:

SECTION 1. PRELIMINARY STATEMENT. Among the matters of mutual understanding which have resulted in the execution of this Preliminary Agreement are the following:

(a) The Florida Housing Finance Authority Law (Chapter 159, Part IV, Florida Statutes), as amended (the "Act") provides that the Authority may issue its revenue bonds and loan the proceeds thereof to one or more persons, firms or private corporations, or use such proceeds to defray the cost of acquiring, by purchase or construction, certain qualifying facilities.

(b) The Company is considering the acquisition and rehabilitation of multifamily residential housing facilities for low, middle or moderate income persons to be located at 300 Silver Creek Trace, Jacksonville, Duval County, Florida 32216 (the "County") to be more commonly known as Desert Winds and Silver Creek Apartments (the "Project"). It is currently estimated that the cost related to the acquisition and rehabilitation of the Project will be approximately \$36,850,829.

(c) The Authority intends this Preliminary Agreement to constitute its official binding commitment for purposes of the Act and applicable federal tax law only, subject to the terms hereof, to issue its Multifamily Housing Revenue Bonds (Desert-Silver Project), Series 2018 in a principal amount not to exceed \$24,980,000 (the "Bonds") in one or more series or issues pursuant to the Act in a final amount to be determined by the Authority and to loan the proceeds thereof to the Company, or to use such proceeds, to finance all or a portion of the cost related to the acquisition and rehabilitation of the Project, including all costs incurred in connection with the issuance of the Bonds by the Authority.

(d) The Authority considers the issuance and sale of the Bonds, for the purpose hereinabove set forth, consistent with the objectives of the Act. This commitment is an affirmative official action of the Authority toward the issuance of the Bonds as herein contemplated in accordance with the purposes of both the Act and the applicable United States Treasury Regulations; provided, however, the commitment is specifically subject to the terms and conditions set forth in this Preliminary Agreement and creates no rights of specific performance on the part of the Company.

SECTION 2. UNDERTAKINGS ON THE PART OF THE AUTHORITY. Subject to the terms hereof, the Authority agrees as follows:

(a) The Authority will authorize the issuance of the Bonds in the aggregate principal amount necessary and sufficient to finance all or a portion of the costs related to the acquisition and rehabilitation of the Project as the Authority and the Company shall agree in writing, but in all events, the principal amount of such Bonds shall not exceed the lesser of: (i) the costs related to the Project, as determined by the Authority, or (ii) \$24,980,000.

(b) Such actions and documents may, at the option of the Authority, permit the issuance from time to time in the future of additional bonds on terms which shall be set forth therein, whether *pari passu* with other series of bonds or otherwise, for the purpose of defraying the cost of completion, enlargements, improvements and expansion of the Project, or any segment thereof, or refunding of the Bonds.

(c) The loan or financing agreement between the Authority and the Company (the "Loan Agreement") shall, under the terms agreed upon by the parties, provide for payments to be made by the Company in such sums as shall be necessary to pay the amounts required under the Act including the principal of and interest and redemption premium, if any, on the Bonds, as and when the same shall become due and payable.

(d) In authorizing the loan of the proceeds of the Bonds pursuant to the Loan Agreement, the Authority will make no warranty, either expressed or implied, that the proceeds of the Bonds will be sufficient to pay all costs of the acquisition and rehabilitation of the Project or that those facilities encompassed by the Project will be suitable for the Company's purposes or needs.

(e) The Bonds shall specifically provide that they are payable solely from the revenues derived from the Loan Agreement, the Trust Indenture relating to the Bonds (the "Indenture") or other agreements approved by the Authority, except to the extent payable out of amounts attributable to the proceeds of the Bonds. The Bonds and the interest thereon shall not constitute an indebtedness or pledge of the Authority, the general credit of the City of Jacksonville, the County or of the State of Florida (the "State"), and such fact shall be plainly stated on the face of the Bonds.

SECTION 3. UNDERTAKINGS ON THE PART OF THE COMPANY. Subject to the terms hereof, the Company agrees as follows:

(a) The Company will use reasonable efforts to insure that the Bonds in the aggregate principal amount as stated above are sold; provided, however, that the terms of such Bonds and of the sale and delivery thereof shall be mutually satisfactory to the Authority and the Company.

(b) The Company will cooperate with the Authority and with the underwriters or purchasers of the Bonds and the Authority's counsel, financial advisor and bond counsel with

respect to the issuance and sale of the Bonds and will take such further action and authorize the execution of such documents as shall be required by the Authority for the authorization, issuance and sale of such Bonds and the use of the proceeds thereof to finance the cost related to the acquisition and rehabilitation of the Project all in accordance with the Authority's policies and procedures.

(c) Prior to the issuance of the Bonds, the Company will enter into the Loan Agreement, consent to the execution by the Authority of the Indenture, approve such other documents related to the Bonds, as shall be determined reasonably necessary by the Authority, providing for, among other things, the issuance, delivery and security for the Bonds, and the loan or use of the proceeds of the Bonds to finance the Project. Such documents will provide, among other things, that the Company will be obligated to pay the Authority (or to trustees for holders of the Bonds on behalf of the Authority, as the case may be) sums sufficient in the aggregate to enable the Authority to pay the principal of and interest and redemption premium, if any, on the Bonds as and when the same shall become due and payable, and all other expenses related to the issuance and delivery of the Bonds inclusive of the Authority's ongoing fees. The Company will agree in such documents that if the cost related to the acquisition and rehabilitation of the Project exceeds the amounts allocated therefor, it shall not be entitled to any additional reimbursement or funding for any such excess either from the Authority, the bondholders or the trustee for the bondholders.

(d) The Company shall be responsible for the Authority's up-front issuance fee in effect at the time the Bonds are issued and the fees of the Authority's counsel, underwriters, financial advisor and bond counsel.

(e) The Company shall, in addition to paying the amounts set forth in the Loan Agreement, pay all costs of operation, maintenance, taxes, governmental and other charges which may be assessed or levied against or with respect to the Project.

(f) The Company will hold the Authority free and harmless from any loss or damage and from any taxes or other charges levied or assessed by reason of the issuance, sale or delivery of the Bonds, as well as any mortgaging or other disposition of the Project.

(g) All costs of issuance, including, without limitation, the Authority's fees and counsel fees not paid at the time of application shall be paid in full at the time of the sale and delivery of the Bonds. The Company shall pay, upon request, a reasonable retainer to bond counsel to the Authority to compensate said counsel for legal services which must be performed whether or not the Bonds are actually issued. Any retainers so paid will be credited against the respective counsel fees payable at closing.

(h) The Company shall take all such actions such that the Bonds shall be issued in compliance with the applicable terms and conditions of the Authority's Multifamily Bond Allocation Policies and Procedures and Program Handbook (revised November 2016).

(i) The Company will take such further action as may be required to implement its

aforesaid undertakings and as it may deem appropriate in pursuance thereof.

(j) Should the Company cancel this Preliminary Agreement in accordance with the terms hereof, the Company shall pay any and all of the Authority's fees and expenses including, without limitation, the fees and expenses of Authority's counsel, bond counsel and financial advisor.

SECTION 4. GENERAL PROVISIONS. All commitments of the Authority under Section 2 hereof and of the Company under Section 3 hereof are subject to the conditions that the following events shall have occurred not later than December 31, 2018, or such other date as shall be mutually satisfactory to the Authority and the Company:

(a) The Company shall deliver evidence satisfactory to the Authority's counsel and bond counsel (including such opinions issued by counsel to the Company acceptable to the Authority) that the Company is an entity organized and operated under the applicable laws of the State.

(b) The Authority shall have received at least \$24,980,000 of private activity bond allocation from the Division of Bond Finance and shall be lawfully entitled to issue the Bonds as herein contemplated.

(c) The Authority and the Company shall have agreed on mutually acceptable terms for the Bonds and the sale and delivery thereof and mutually acceptable terms and conditions of the Indenture, the Loan Agreement or other agreements incidental to the financing or referred to in Sections 2 and 3 hereof.

(d) Such other rulings, approvals, consents, certificates of compliance, opinions of counsel and other instruments and proceedings satisfactory to the Authority as to such matters with respect to the Bonds, the Project, the Indenture, the Loan Agreement, as shall be specified by the Authority, shall have been obtained from such governmental, as well as non-governmental, agencies and entities as may have or assert competence or jurisdiction over or interest in matters pertinent thereto and shall be in full force and effect at the time of issuance of the Bonds.

(e) Notwithstanding the designation as an "official binding commitment" for purposes of the Act and federal tax law, the Company and the Authority each reserve the absolute right to unilaterally cancel this Preliminary Agreement for reasonable cause at any time prior to the time the Bonds are issued by the Authority upon written notice to the other party of cancellation.

(f) If the events set forth in this Section 4 do not take place within the time set forth or any extension thereof, or if the Company or the Authority exercises its rights of cancellation as set forth in this Section 4, the Company shall pay any and all of the Authority's fees and expenses including, without limitation, the fees and expenses of Authority's counsel, bond counsel and financial advisor.

(g) The Company acknowledges that the Authority may, during the time this Preliminary Agreement is in effect, issue similar "inducement" agreements to other companies for other multifamily projects, and/or may issue bonds or participate jointly with other authorities to issue bonds for multifamily or single family housing. This Preliminary Agreement will create no priority or rights *vis a vis* subsequent agreements for the issuance of multifamily or single family bonds.

SECTION 5. DEPOSIT FROM THE COMPANY. Notwithstanding anything herein to the contrary, the Company has represented to the Authority that it expects to complete the financing of the Project on or before the December 31, 2018, utilizing not less than \$22,482,000 of the Authority's private activity bond allocation. On the basis of the foregoing representation by the Company, the Authority has agreed to reserve \$24,980,000 of its private activity bond allocation for the Project and issue the Bonds on behalf of the Company, subject to the Company's compliance with, among other things, all other applicable guidelines, policies and procedures of the Authority, as well as the terms and conditions set forth herein. The Company acknowledges and agrees that failure to consummate the sale and delivery of not less than \$22,482,000 of the Bonds on or before December 31, 2018 will result in substantial damages to the Authority which cannot be easily or adequately measured. Consequently, in addition to the \$7,500 non-refundable application fee paid to the Authority and a fee paid to the Authority's creditor underwriter for the requisite credit underwriting fee to prepare the credit underwriting report, the Company shall deliver to the Authority on or before June 30, 2018: (a) a cashier's check in the amount of \$40,000 which reflects the required final document preparation deposit (the "Deposit"), and (b) a cashier's check in the amount of \$500 to cover the initial cost of publishing the TEFRA notice and conducting a hearing, all payable to the Authority and all of which shall be immediately cashed by the Authority. In addition, the Company shall pay a \$10,000 retainer to bond counsel (the "Retainer"). If Bonds in the principal amount of not less than \$22,482,000 are sold and delivered on or before the December 31, 2018, the Authority will deliver to the Company a check in the amount of the Deposit simultaneously with the sale and delivery of the Bonds. If for any reason Bonds in the principal amount of not less than \$22,482,000 are not sold and delivered on or before the December 31, 2018, the Deposit shall be retained by the Authority as and for full liquidated damages for any defaults hereunder on the part of the Company, unless cancelled by the Company for reasonable cause as provided in Section 4(e) hereof and as determined by the Authority. The Authority and the Company hereby agree that time is of the essence and it is the intent of the parties hereto that the provisions of this Preliminary Agreement be strictly construed. Should the Authority cancel this Preliminary Agreement in accordance with Section 4(e) hereof, then the Company shall be entitled to a return of the Deposit less the fees and expenses of the Authority including, without limitation, the fees and expenses of Authority's counsel (other than bond counsel) and financial advisor.

SECTION 6. BINDING EFFECT. All covenants and agreements herein contained by or on behalf of the Authority and the Company shall bind and inure to the benefit of the respective successors and assigns of the Authority and the Company whether so expressed or not;

provided, however, the Company may not assign this Preliminary Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**SIGNATURE PAGE TO
PRELIMINARY AGREEMENT
(DESERT-SILVER PROJECT)**

IN WITNESS WHEREOF, the parties hereto have entered into this Preliminary Agreement by their officers thereunder duly authorized on the date set forth above.

AUTHORITY:

**JACKSONVILLE HOUSING FINANCE
AUTHORITY**

By: _____
William I. Gulliford, III, Chair

**SIGNATURE PAGE TO
PRELIMINARY AGREEMENT
(DESERT-SILVER PROJECT)**

IN WITNESS WHEREOF, the parties hereto have entered into this Preliminary Agreement by their officers thereunder duly authorized on the date set forth above.

COMPANY:

LRC DESERT-SILVER, LLC,
a Florida limited liability company

By: LRC Desert-Silver GP, LLC,
a Florida limited liability company,
its sole Member

By: LRC GP, LLC,
A Florida limited liability company,
Its sole Member

Name:

Title:

FIRST SUPPLEMENTAL INDENTURE

THIS FIRST SUPPLEMENTAL INDENTURE (this “First Supplement”) is made as of _____, 2018, by JACKSONVILLE HOUSING FINANCE AUTHORITY, a public body corporate and politic of the State of Florida (the “Issuer”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”), and is consented to by CAROLINE OAKS, LTD. a Florida limited partnership, as the borrower of the proceeds of the hereinafter defined Bonds (the “Borrower”), and by STI INSTITUTIONAL & GOVERNMENT, INC., a Delaware general business corporation, as the Owner of 100% of the Outstanding Bonds (the “Lender”).

RECITALS

WHEREAS, pursuant to and in accordance with an Indenture of Trust, dated as of April 1, 2015 (the “Indenture”), by and between the Issuer and the Trustee, the Issuer previously issued its Multifamily Housing Revenue Bonds, Series 2015 (Caroline Oaks), which are currently Outstanding in the aggregate principal amount of [\$5,600,000] (the “Bonds”) to fund a loan to Borrower for the construction of multifamily housing; and

WHEREAS, the Lender purchased and continues to hold 100% of the Outstanding Bonds; and

WHEREAS, changes in the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code have caused an increase in the Margin Rate Factor (as defined in the Indenture) and in the interest rate born by the Bonds; and

WHEREAS, the parties hereto, with the consent of the Borrower and the Lender, desire to amend the Indenture pursuant to Section 11.02 thereof in order to reverse the increase in the Margin Rate Factor and in the interest rate born by the Bonds; and

NOW, THEREFORE, in consideration of the foregoing recitals, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Trustee, hereby agree as follows:

1. Incorporation of Recitals. The foregoing Recitals are incorporated in this First Supplement and made a part hereof by this reference to the same extent as if set forth herein in full. All section references shall mean the corresponding section of the Indenture.

2. Definitions. All capitalized terms used herein shall have the meanings given such terms in the Recitals hereto or, if not defined therein, in Section 1.01 of the Indenture (as amended by this First Supplement).

3. Amendment to Indenture. The definition of “Margin Rate Factor” is hereby amended and restated in its entirety to read as follows:

“**Margin Rate Factor**” means 1.0.”

4. Ratification of Indenture. Except as set forth in this First Supplement, all the terms and conditions contained in the Indenture are hereby ratified and shall remain in full force and effect. In the event that any of the terms, conditions and provisions of this First Supplement shall conflict with any of the terms, conditions and provisions of the Indenture, then, and in such event, the terms, conditions and provisions of this First Supplement shall prevail and be controlling. Hereafter, all references to the Indenture shall mean the Indenture as amended by this First Supplement.

5. Effective Date of First Supplement. The effective date of this First Supplement shall be _____, 2018.

6. Counterparts. This First Supplement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which, when taken together, shall be deemed to be a single instrument.

7. Applicable Law. This First Supplement shall be governed by the laws of the State of Florida.

[Signature Pages Follow]

IN WITNESS WHEREOF, and intending to be legally bound, the Issuer and the Trustee have caused this First Supplement to be executed on their behalf by their respective duly authorized representatives as of the date set forth above.

ISSUER:

JACKSONVILLE HOUSING FINANCE
AUTHORITY

By: _____
Name:
Title:

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____

Name:

Title:

WAIVER AND CONSENT OF BORROWER

The undersigned hereby consents to the execution, delivery and performance of the First Supplemental Indenture to which this Waiver and Consent of Borrower is attached and waives any and all notice provisions of the Indenture applicable to such First Supplement.

BORROWER:

CAROLINE OAKS, LTD.,
a Florida limited partnership

By: Caroline Oaks GP, LLC, a Florida limited
liability company, its sole General Partner

By: Vestcor, Inc., a Florida corporation, its
Manager

By: _____

Name:

Title:

WAIVER AND CONSENT OF LENDER/BONDHOLDER

The undersigned hereby certifies that it (i) is the Owner of 100% of the Outstanding Jacksonville Housing Finance Authority Multifamily Housing Revenue Bonds, Series 2015 (Caroline Oaks), (ii) consents to the execution, delivery and performance of the First Supplemental Indenture to which this Waiver and Consent of Lender/Bondholder is attached (the "First Supplement"), (iii) waives any and all notice provisions of the Indenture applicable to such First Supplement, and (iv) waives any additional interest on the Bonds that would have been deemed accrued and payable since January 1, 2018 to the date hereof, due to an increase in the Margin Rate Factor resulting from a decrease in the Maximum Federal Corporate Tax Rate. All capitalized terms used but not defined herein shall have the meanings given such terms in the First Supplement.

LENDER/BONDHOLDER:

STI INSTITUTIONAL & GOVERNMENT, INC.

By: _____
Name:
Title:

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me by _____, as _____ of STI Institutional & Government, Inc., this _____ day of _____, 2018, on behalf of said corporation. He/She is personally known to me or has produced a valid drivers license as identification.

(SEAL)

Printed/Typed Name: _____
Notary Public-State of Florida
Commission Number: _____

JHFA Board Meeting Calendar 2018

JANUARY						
S	M	T	W	TH	F	S
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DECEMBER						
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JHFA Meeting Locations

8th Floor

Meeting Rooms Located at 214 North Hogan Street, 8th Floor, Jacksonville, Florida

FHFC Meeting Dates & Locations

January 26, 2018, Turnbull Conference Center

March 16, 2018, Tallahassee City Hall

May 4 Tampa, Grand Hyatt Tampa Bay

June 15 Tallahassee, City Hall

July 27 Tallahassee, City Hall

September 14 Fort Lauderdale, Marriott Harbor Beach

October 26 Panama City Beach, Sheraton Bay Point

December 14 Orlando, Hyatt Regency Orlando Airport

NALHFA Annual Conference, May 9-12, 2018- Hotel Monteleone, New Orleans

Florida ALHFA Conference July 11-14, 2018- Vinoy Hotel, St. Petersburg

Florida Housing Coalition Conference, August 27-29, 2018- Rosen Centre Hotel, Orlando

OCCUPANCY LEVELS

5-31-18

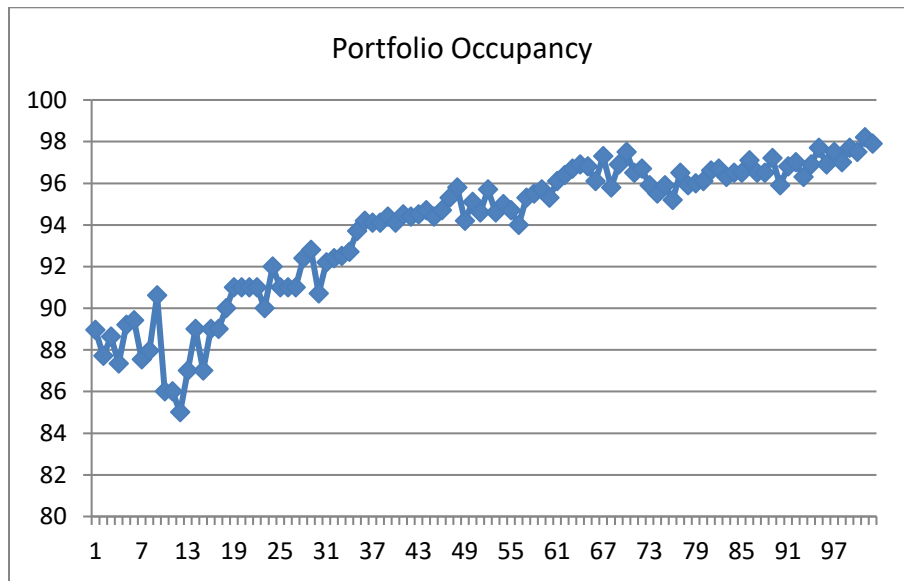
Active Rental Developments—Financed by DCHFA or JHFA

Development & Address	Developer	Original Bonds & Issue Date	Units & Occupancy
Bennett Creek 3585 Salisbury Drive 32216	Richman	\$21,600,000 12-21-10	264 98% (+0%)
Brookwood Forest Apartments 1251 Fromage Way 32225	CED	\$10,000,000 2005	168 98% (+0%)
Camri Green Apartments 3820 Losco Road 32257	Vestcor	\$9,200,000 2003	184 98% (-0%)
Caroline Oaks	Vestcor	\$5,600,000 4-22-15	82 99% (-1%)
Cathedral Terrace	Blue Sky	\$12,500,000 1-21-16	200 96% (-1%)
Christine Cove 3730 Soutel Dr 32208	Carlisle	\$6,000,000 2006	96 99% (-0%)
Hartwood (AKA Hampton Ridge) 11501 Harts Road 32218	Southport	\$5,840,000 2006	110 95% (-1%)
Lofts at LaVilla 995 Water Street 32204	Vestcor	Housing Credits \$265,000 JHFA loan	130 100% (+0%)
Mary Eaves 1250 16 th Street West 32209	Vestcor	FHFC bonds \$300,000 JHFA loan	79 100% (+0%)
Mt. Carmel Gardens 5846 Mt. Carmel Terrace 32216	BREC	\$9,750,000 8-19-16	207 Rolling Rehab 95%
Oakwood Terrace 8201 Kona Avenue	Southport	\$12,700,000 6-30-17	200 Rolling Rehab 80%
Timberwood Trace 12250 Atlantic Blvd. 32225	Southport	\$16,000,000 2-1-17	224 97% (-1%)
Timuquana Park Apartments 5615 Seaboard Ave. 32244	Southport	\$4,300,000 2004	100 100% (+2%)

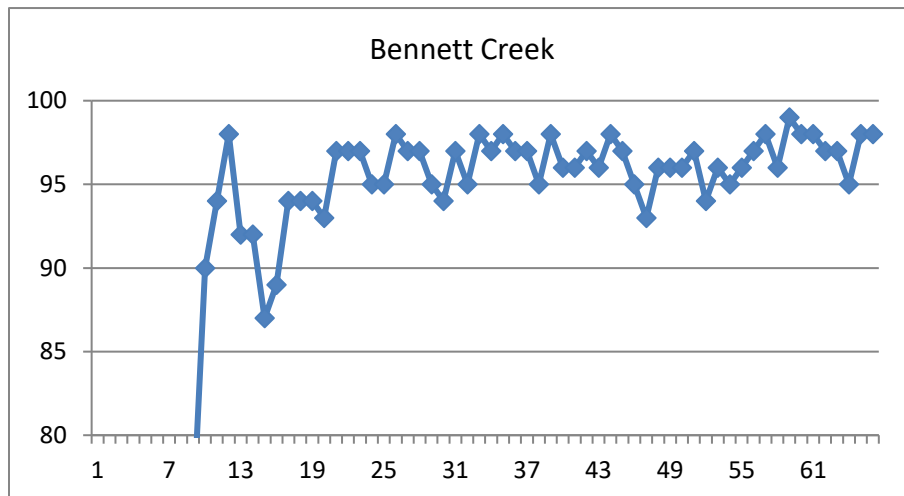
OCCUPANCY LEVELS

5-31-18

102 Month Occupancy Levels—Entire Portfolio Average Occupancy



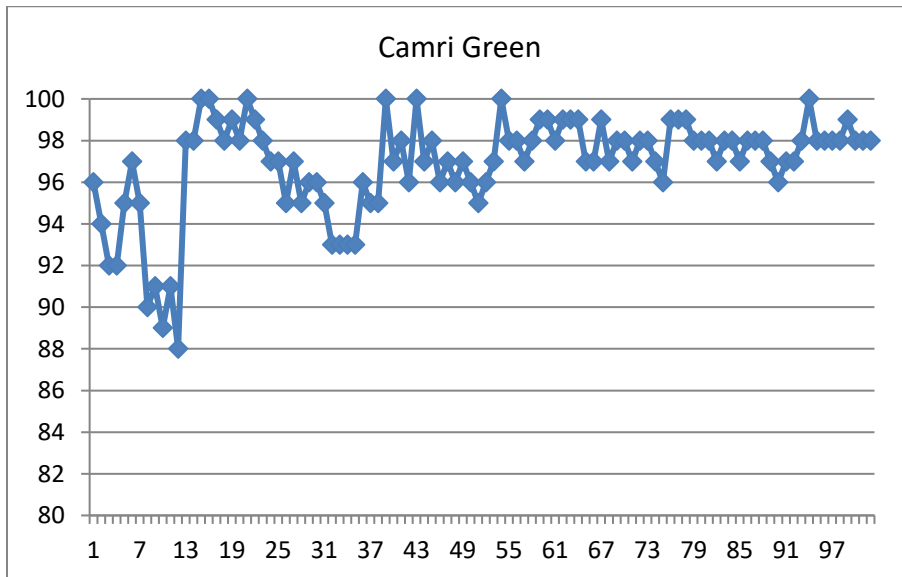
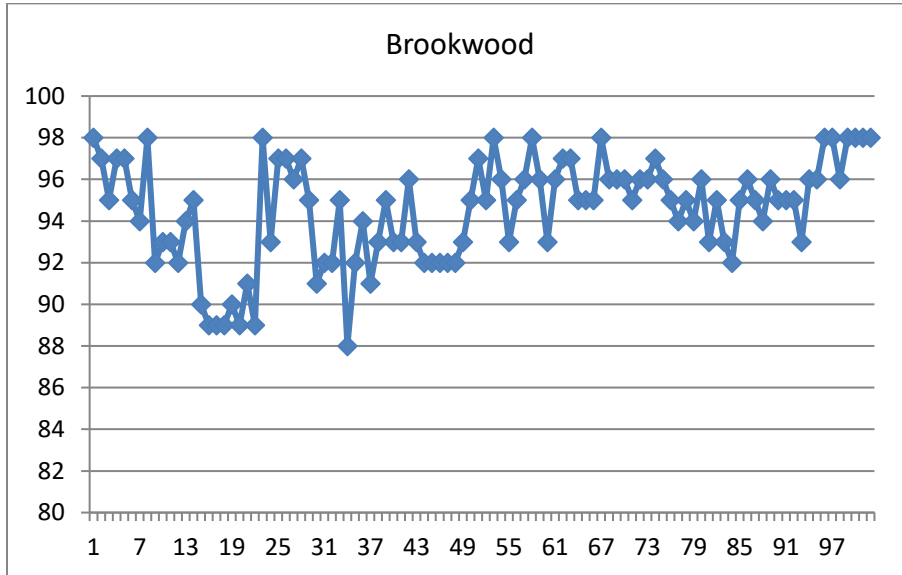
Average Occupancy by Development



OCCUPANCY LEVELS

5-31-18

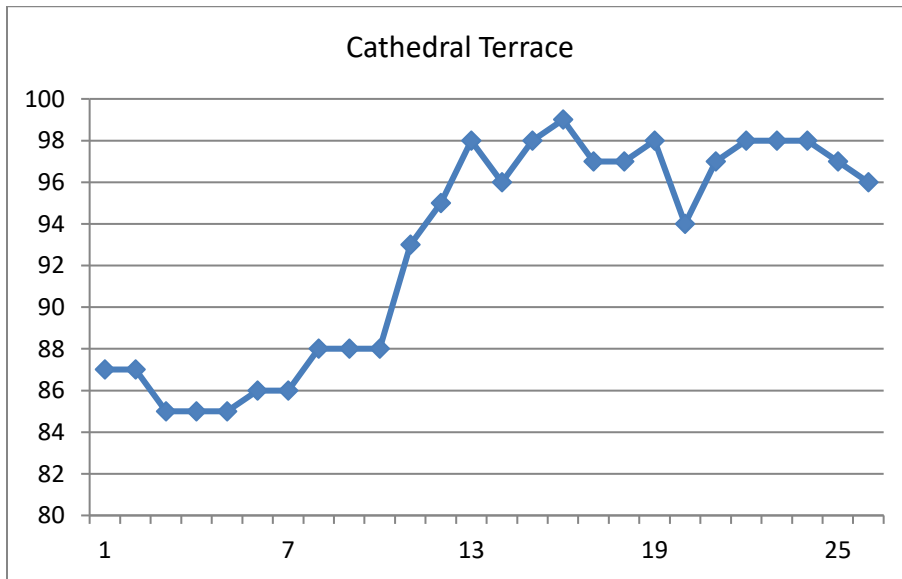
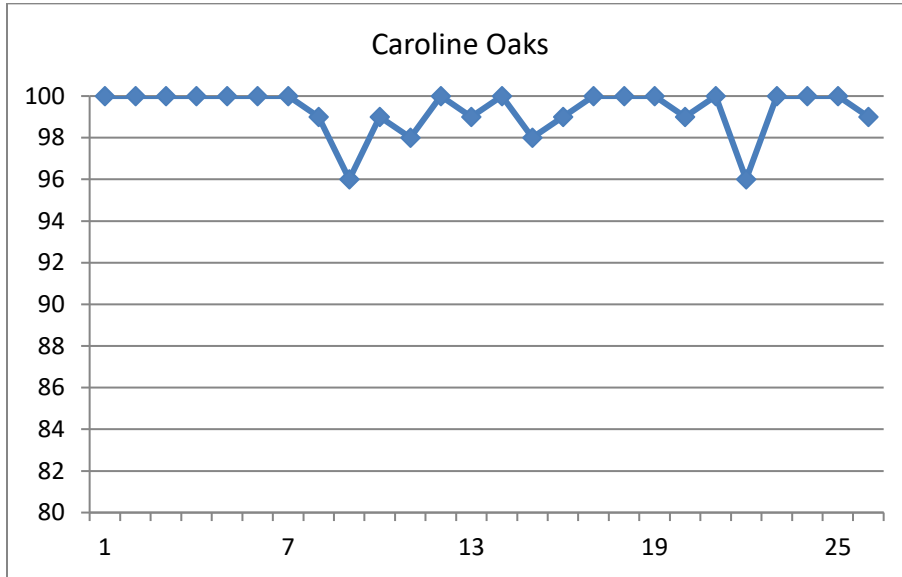
Average Occupancy by Development



OCCUPANCY LEVELS

5-31-18

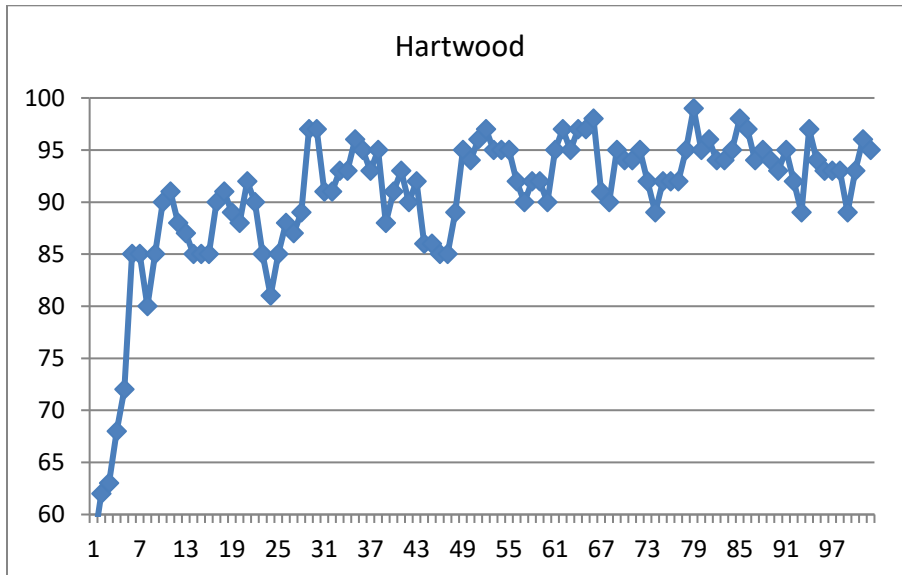
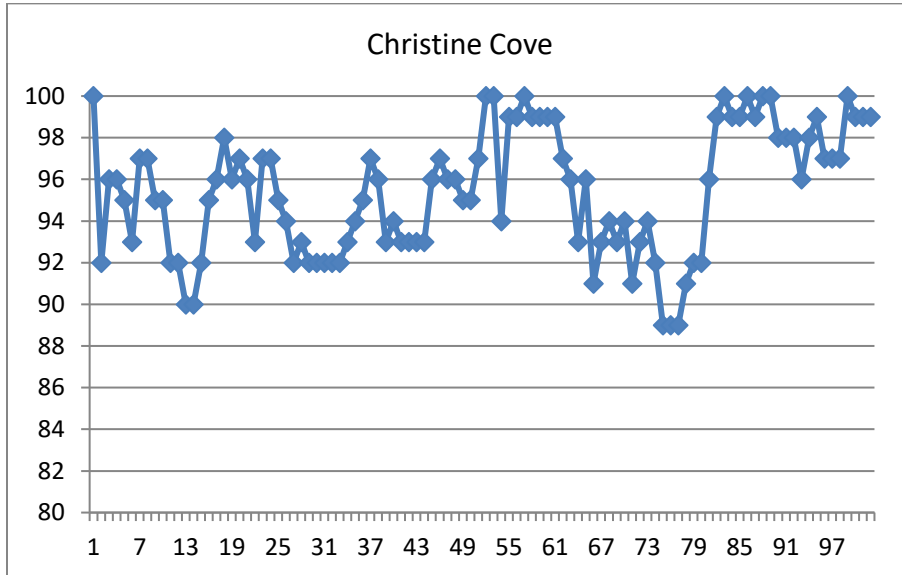
Average Occupancy by Development



OCCUPANCY LEVELS

5-31-18

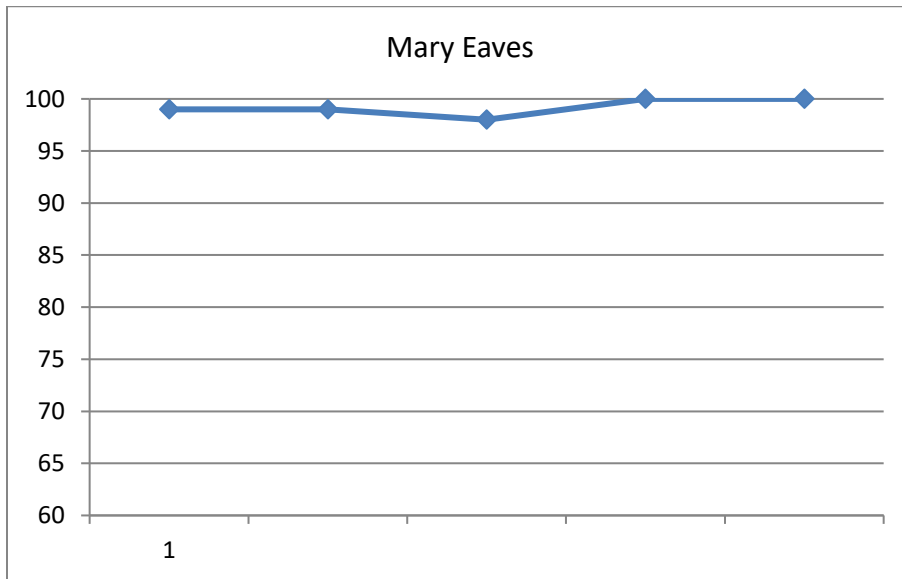
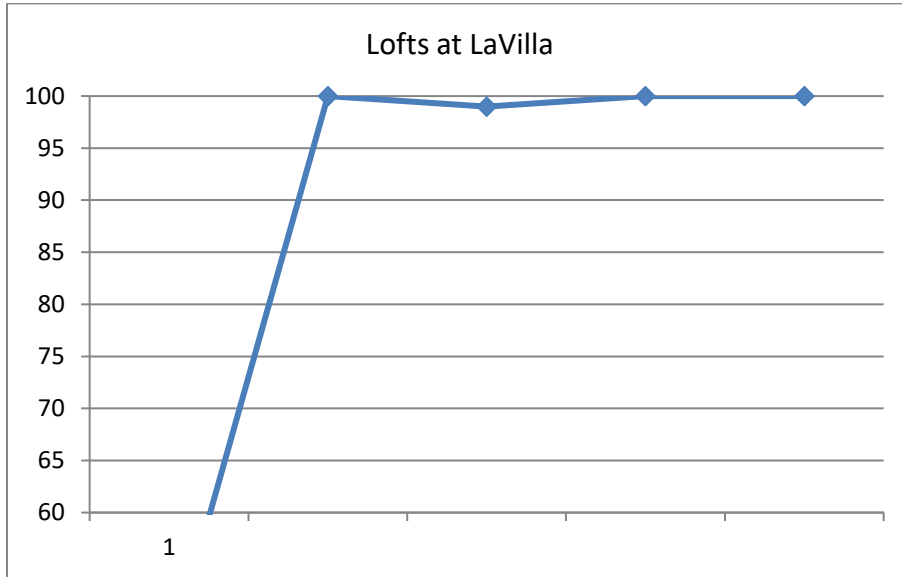
Average Occupancy by Development



OCCUPANCY LEVELS

5-31-18

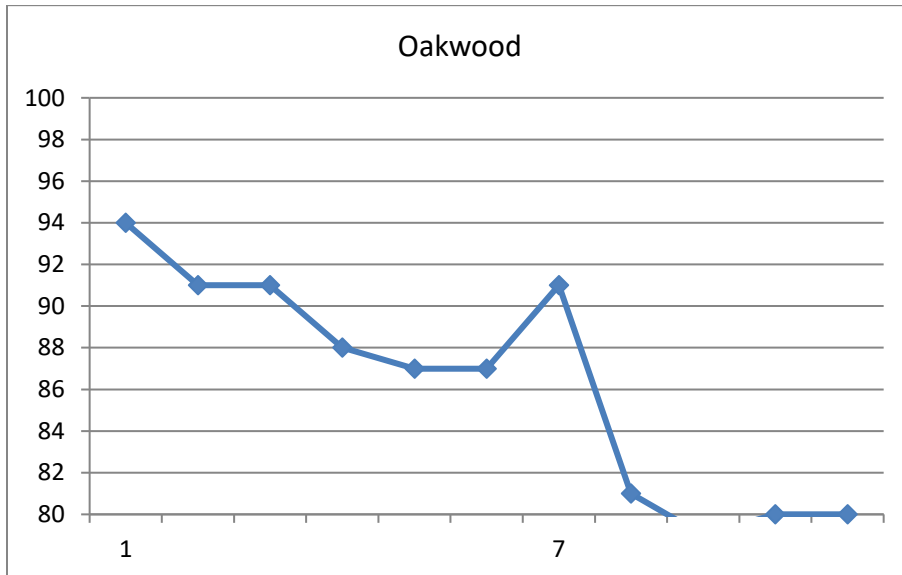
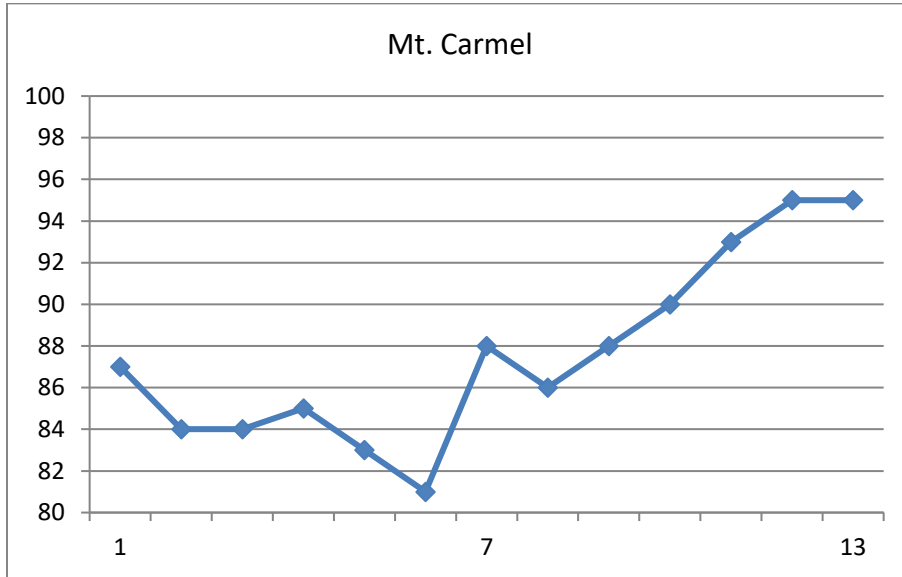
Average Occupancy by Development



OCCUPANCY LEVELS

5-31-18

Average Occupancy by Development



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Average Occupancy by Development

