

**PRELIMINARY OFFICIAL STATEMENT
DATED MAY 7, 2019**

NEW ISSUE – Book-Entry Only

**RATING: S&P “___”
See “RATING” herein.**

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any period during which such Bond is held by 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 a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing law, the Bonds and the interest on the Bonds are exempt from all state, county and municipal taxation in the State of Tennessee, except for inheritance, estate, gift and certain other transfer taxes and except to the extent that interest on the Bonds is included within the measure of certain franchise and excise taxes imposed under Tennessee law. For a more complete description, see “TAX MATTERS” herein.

\$11,000,000*
**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
Collateralized Multifamily Housing Bonds
(Clear Springs Apartments Project), Series 2019**

Dated: Date of Delivery
Initial Interest Rate: _____%
Initial Offering Price: 100%

Maturity Date: May 1, 2022*
Initial Mandatory Tender Date: May 1, 2021*
CUSIP: _____

The Health, Educational and Housing Facility Board of the County of Knox (the “Issuer”) is issuing its Collateralized Multifamily Housing Bonds (Clear Springs Apartments Project), Series 2019 (the “Bonds”) pursuant to a Trust Indenture dated as of May 1, 2019 (the “Indenture”), by and between the Issuer and U.S. Bank National Association, Olive Branch, Mississippi, as trustee (the “Trustee”). Proceeds of the Bonds will be used to finance a loan to Clear Springs II, L.P., a Tennessee limited partnership (the “Borrower”), to enable the Borrower to pay a portion of the cost of acquiring, rehabilitating and equipping a 109-unit multifamily residential rental facility located in Knoxville, Knox County, Tennessee (the “Project”). See “THE PROJECT” herein.

The Bonds will bear interest at the Initial Interest Rate indicated above from their date to but not including the Initial Mandatory Tender Date indicated above, payable on each May 1 and November 1, commencing November 1, 2019*. See “THE BONDS” herein. The Bonds will be issued as fully registered bonds in denominations of \$5,000 and integral multiples of \$5,000 in excess thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. DTC will act as securities depository of the Bonds. Purchases will be made only in book-entry form through DTC participants in the aforesaid authorized denominations, and no physical delivery of Bonds will be made to purchasers. Payments of principal of and premium, if any, and interest on the Bonds will be made to purchasers by DTC through its participants. See “THE BONDS – Book-Entry Only System” herein.

The Bonds, when, as and if issued, will be special limited obligations of the Issuer, payable solely from the revenues and other money assigned by the Indenture to secure that payment. Pursuant to the Loan Agreement, dated as of May 1, 2019 (the “Loan Agreement”), between the Issuer and the Borrower, the Borrower has agreed to cause deposits to be made, over time, to the Collateral Fund established under the Indenture in exchange for the disbursement of Bond proceeds in the Project Fund established under the Indenture. The principal of and interest on the Bonds will be paid from amounts on deposit in the Bond Fund established under the Indenture, the Collateral Fund and the Project Fund. The Indenture requires the Bonds to be secured at all times by Eligible Investments (as defined herein) sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at maturity or upon mandatory tender or acceleration, as further described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein. On the Closing Date, proceeds of the Bonds deposited in the Project Fund and any amounts deposited in the Negative Arbitrage Account of the Bond Fund shall be invested (to the extent practicable) in non-callable Government Obligations (as defined herein) which mature on or prior to the date the Bonds are subject to mandatory tender, and all other proceeds shall be invested in one or more Eligible Investments.

The Bonds are subject to mandatory tender for purchase on the Initial Mandatory Tender Date. See “THE BONDS – Mandatory Tender” herein. The Bonds may be remarketed and a new interest rate for the Bonds may be determined on the Initial Mandatory Tender Date in accordance with the terms of the Indenture. If the Bonds are remarketed on the Initial 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 Initial Mandatory Tender Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with any such remarketing.

The Bonds are not subject to redemption prior to the Initial Mandatory Tender Date. See “THE BONDS - Terms of Bonds Generally”.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR PLEDGE OF THE GENERAL CREDIT OF THE ISSUER WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OF INDEBTEDNESS. THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND DO NOT CONSTITUTE OR CREATE A DEBT OR OBLIGATION, EITHER GENERAL OR SPECIAL, OR LIABILITY OR MORAL OBLIGATION OF KNOX COUNTY, TENNESSEE (THE “COUNTY”), THE STATE OF TENNESSEE (THE “STATE”) OR ANY COUNTY, MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. NEITHER THE FAITH OR CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR OF ANY COUNTY, MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS. THE BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER (WHICH HAS NO TAXING POWER) BUT ARE LIMITED REVENUE OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS SHALL BE A VALID CLAIM ONLY AS AGAINST THE PLEDGED REVENUES, IS NOT A GENERAL OBLIGATION OF THE COUNTY, THE STATE, OR ANY COUNTY, MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE, OR ANY COUNTY, MUNICIPALITY, POLITICAL SUBDIVISION OF THE STATE OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS.

The Bonds are offered for delivery when, as and if issued and received by Raymond James & Associates, Inc. (the “Underwriter”) and subject to the approval of legality by Bass Berry & Sims PLC, Knoxville, Tennessee and certain other conditions. Certain legal matters will be passed upon for the Issuer by its counsel Egerton McAfee Armistead & Davis, P.C., Knoxville, Tennessee and for the Borrower by its special counsel Gentry, Tipton & McLemore, P.C., Knoxville, Tennessee. Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Memphis, Tennessee will serve as underwriter’s counsel to the transaction. It is expected that the Bonds will be available in book-entry form through the facilities of DTC in New York, New York on or about _____, 2019.

This cover page contains limited information for ease of reference only. It is not a summary of the Bonds or the security therefor. The entire Official Statement, including the Appendices, must be read to obtain information essential to make an informed investment decision.

RAYMOND JAMES®

Date: _____, 2019

* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers 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 jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

No broker, dealer, salesman or other person has been authorized by the Issuer, to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations 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, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale prior to the registration or qualification under the securities laws of any such jurisdiction. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under the Indenture shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or owners of any of the Bonds. All statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission (the "Commission") or with any state securities agency. The Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

CUSIP is a registered trademark of the American Banker's Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Banker's Association. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Bonds. The Issuer is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated on the cover of this Official Statement. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions.

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OFFICIAL STATEMENT

\$11,000,000*

The Health, Educational and Housing Facility Board of the County of Knox Collateralized Multifamily Housing Bonds (Clear Springs Apartments Project), Series 2019

INTRODUCTION

This Official Statement (this “Official Statement”), including the cover page, inside cover page and appendices attached hereto, is to provide certain information, has been prepared in connection with the issuance of the above-captioned Bonds (the “Bonds”) by The Health, Educational and Housing Facility Board of the County of Knox (the “Issuer”), a nonprofit corporation and an instrumentality of Knox County, Tennessee (the “County”) organized under Part 3, Chapter 101, Title 48, Tennessee Code Annotated, as amended (the “Act”). The Issuer authorized the issuance of the Bonds by resolution relating to the issuance of the Bonds adopted by the Board of Directors of the Issuer on March 12, 2019 (the “Resolution”), and the Bonds are issued pursuant to a Trust Indenture dated as of May 1, 2019 (the “Indenture”), by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). Certain capitalized terms that are used in this Official Statement and not otherwise defined shall have the definitions ascribed to them in “APPENDIX A – DEFINITIONS OF CERTAIN TERMS” hereto.

The Bonds are to be issued pursuant to the Act, for the purpose of providing funds to make a loan (the “Loan”) to Clear Springs II, L.P., a Tennessee limited partnership (the “Borrower”), to enable the Borrower to pay a portion of the cost of acquiring, rehabilitating and equipping a 109-unit multifamily residential rental facility for families of low and moderate income located in Knoxville, Tennessee, known as Clear Springs Apartments (the “Project”). See “PRIVATE PARTICIPANTS” and “THE PROJECT” herein.

The Loan will be made to the Borrower under a Loan Agreement dated as of May 1, 2019 (the “Loan Agreement”), by and between the Issuer and the Borrower and assigned by the Issuer, except for Reserved Rights, to the Trustee. Pursuant to the Loan Agreement, the Borrower has agreed to make payments to the Issuer in amounts sufficient to pay the principal of and interest on the Bonds when due (the “Bond Service Charges”) to the extent that amounts otherwise available for such payment are insufficient therefor. The Loan will be evidenced by a nonrecourse promissory note in the principal amount of \$11,000,000* (the “Note”) from the Borrower to the Trustee.

The Indenture establishes certain funds (the “Special Funds”), including a fund for the receipt and disbursement of Bond proceeds (the “Project Fund”), a fund for the receipt of amounts required to be received in exchange for disbursement of Bond proceeds (the “Collateral Fund”), a fund for the receipt and disbursement of the Rebate Amount (the “Rebate Fund”), and a fund for the payment of the Bond Service Charges (the “Bond Fund”), and within the Bond Fund an account for the deposit of Eligible Funds (as defined in APPENDIX A) to pay the interest portion of the Bond Service Charges (but only at such times as money is to be deposited or held in such account as provided in the Indenture) (the “Negative Arbitrage Account”). Amounts on deposit in the Special Funds will be invested in Eligible Investments (as defined in APPENDIX A). The Indenture requires the Bonds to be secured at all times by Eligible Investments sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at maturity or upon mandatory tender or acceleration, as further described herein. The aggregate funds on deposit in the Project Fund and the Collateral Fund will, at all times, equal the principal amount of Bonds Outstanding. The Bond Service Charges will be paid from amounts on deposit in the Negative Arbitrage Account of the Bond Fund and thereafter from funds on deposit in the Bond Fund, the Collateral Fund or the Project Fund, and investment earnings thereon. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

* Preliminary, subject to change

The Bonds shall bear interest on the outstanding principal amount thereof at a rate equal to ___% per annum from their date, to but not including, May 1, 2021* (the “Initial Mandatory Tender Date”), payable on each May 1 and November 1, commencing November 1, 2019* (each an “Interest Payment Date”).

The Bonds are subject to mandatory tender for purchase, subject to satisfaction of the applicable terms and conditions set forth in the Indenture, on the Initial Mandatory Tender Date. All Bondholders must tender their Bonds for purchase on the Initial Mandatory Tender Date. 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 Initial 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 Initial Mandatory Tender Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing.

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

As is described under “PLAN OF FINANCING” below, the Borrower expects to obtain permanent financing for its acquisition, rehabilitation and equipping of the Project primarily from (a) a mortgage loan (the “Mortgage Loan”) to be made by Walker & Dunlop, LLC, a limited liability company organized under the laws of the State of Delaware (the “Lender”), which Mortgage Loan will be insured by the Secretary of Housing and Urban Development acting by and through the Federal Housing Administration (“FHA”) under Section 221(d)(4) of the National Housing Act, as amended, and the regulations promulgated thereunder, and (b) proceeds from the capital contributions to be made to the Borrower by Pinnacle Bank, a Tennessee banking corporation and Pinnacle Community Development SLP, Inc., a Tennessee corporation, and their successors and assigns (collectively, the “Investor Limited Partner”), as described under “PLAN OF FINANCING”.

To fund the Mortgage Loan, the Lender expects to issue and sell certain securities (the “GNMA Certificates”) which will be backed by the Mortgage Loan and guaranteed as provided therein by the Government National Mortgage Association (“GNMA”). Neither the Mortgage Loan nor any GNMA Certificates issued with respect to the Mortgage Loan will be pledged to secure the Bonds. See “SECURITY FOR THE BONDS” below. In connection with the Mortgage Loan, the Borrower will execute certain notes, security instruments, regulatory agreements and related documents (the “Mortgage Loan Documents”). In the event of conflict between the provisions of the Mortgage Loan Documents, the Note securing repayment of the Bonds, the Indenture, the Loan Agreement or the Land Use Restriction Agreement, the Mortgage Loan Documents will control, subject to certain provisions concerning the Issuer and its limited recourse thereunder set forth in the Bonds, the Indenture, the Loan Agreement, and the Land Use Restriction Agreement which shall be controlling. Neither the Holders of the Bonds nor the Trustee will have rights under the Mortgage Loan Documents. The Lender will also hold escrows for taxes, insurance and mortgage insurance premiums which will not be pledged to secure the Bonds. Furthermore, neither the Holders of the Bonds nor the Trustee will have a lien on the real estate on which the Project is located or in any funds, accounts or reserves established, maintained and/or collected by the Lender.

The Borrower, the Trustee, the Lender, and various other parties will enter into a Loan Disbursement Procedures Agreement dated as of May 1, 2019 (the “Loan Disbursement Procedures Agreement”), which will provide for certain proceeds of the Mortgage Loan to be available to make payments to the Trustee for deposit into the Collateral Fund held by the Trustee under the Indenture, in the amounts of, and as a condition to the release of, requested disbursements of Bond proceeds from the Project Fund to finance costs of the Project.

The Project is subject to a Land Use Restriction Agreement (the “Land Use Restriction Agreement”) dated as of May 1, 2019, by and among the Borrower, the Issuer and the Trustee. The Land Use Restriction Agreement requires that at least 40% of available units in the Project be occupied by persons or families having incomes at or below 60% of area median gross income during the Qualified Project Period. Failure to comply with these requirements could result in the loss of the federal tax exemption of the Bonds retroactive to their date of issuance. See “TAX MATTERS” and “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT.” In addition to the rental restrictions imposed upon the Project by the Land Use Restriction Agreement, the Project will be further encumbered by a tax credit restrictive covenant (the “Tax Credit Restrictive Covenant”) to be executed by the Borrower in connection with the federal low income housing tax credits (“Federal Tax Credits”) anticipated to be granted for the Project (and allocated to the partners of the

Borrower) and in compliance with the requirements of Section 42 of the Code, and by the agreements entered into with regard to rental assistance payments applicable to the Project. See “THE PROJECT” and “THE PRIVATE PARTICIPANTS” herein.

Brief descriptions of the Issuer, the Borrower, the Lender, the Investor Limited Partner, the Mortgage Loan, the Project, the Bonds, the security for the Bonds, the Indenture, the Loan Agreement and the Land Use Restriction Agreement are included in this Official Statement. The summaries herein do not purport to be complete and are qualified in their entireties by reference to such documents, agreements and programs as may be referred to herein, and the summaries herein of the Bonds are further qualified in their entireties by reference to the form of the Bonds included in the Indenture and the provisions with respect thereto included in the aforesaid documents.

THE ISSUER

The Issuer is a nonprofit corporation and instrumentality of the Knox County, Tennessee, and is duly organized and existing under the laws of the State of Tennessee (the “State”), including particularly the Act. In accordance with the Act, and by proper resolutions of the Issuer, the Issuer is authorized and empowered to issue the Bonds, to loan the proceeds thereof to the Borrower and to secure the Bonds by a pledge of the amounts payable by the Borrower under the Loan Agreement.

Power

The Issuer is authorized under the Act to carry out the public purposes described in the Act by issuance of its revenue bonds to provide funds for the financing of the acquisition, rehabilitation and equipping of multifamily housing facilities located in Knoxville, Tennessee.

Although the Issuer is a public instrumentality of the County, the County is not liable for the payment of the principal of or interest on the Bonds or any other bonds of the Issuer, or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Issuer under the Indenture, the Loan Agreement, or otherwise. The Issuer has other series of bonds outstanding for other parties.

Operation and Membership

The Act provides that the Issuer shall be governed by a board of not less than eleven directors who are appointed by the Knox County Commission. Directors hold the office for a six-year term and receive no compensation except reimbursement for actual expenses incurred in the performance of their duties.

Indebtedness of the Issuer

The Issuer adopted a final bond resolution on March 12, 2019.

The Issuer has previously issued and may in the future issue bonds to finance facilities, which may compete with the Project.

Each series of bonds issued by the Issuer is payable only from revenues provided by the entity on whose behalf such series was issued and general funds of the Issuer are not available for the payment of such bonds. The Issuer has no taxing power.

Limitations on Liability

The officers, agents, employees, directors and members of the Issuer shall not be personally liable for any costs, losses, damages or liabilities caused or incurred by the Issuer or the Trustee in connection with the Indenture or the Loan Agreement or for the payment of any obligation under the Indenture or the Loan Agreement.

THE ISSUER MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER CONCERNING THE ECONOMIC FEASIBILITY OF THE PROJECT OR THE CREDIT-WORTHINESS OF THE PROJECT, AND NO SUCH REPRESENTATION OR WARRANTY SHALL BE IMPLIED FROM THE ISSUANCE OF

THE BONDS OR THE OTHER TRANSACTIONS DESCRIBED OR CONTEMPLATED HEREIN. THE ISSUER HAS NOT INDEPENDENTLY VERIFIED ANY INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT OTHER THAN THE INFORMATION UNDER THIS CAPTION.

The Issuer has not prepared or assisted in the preparation of this Official Statement, including any financial information included herein or attached hereto; and, except for the information contained under this section, the Issuer is not responsible for any statements made in this Official Statement. Accordingly, the Issuer disclaims responsibility for the disclosures set forth in this Official Statement or otherwise made in connection with the offer, sale and distribution of the Bonds.

No agreement or obligation contained in the Indenture shall be deemed to be an agreement or obligation of any director, officer, employee, commissioner, servant or agent of the Issuer in his or her individual capacity, and neither the directors of the Issuer nor any officer thereof executing any Bond shall be liable personally on such Bond or be subject to any personal liability or accountability by reason of the issuance thereof. No director, officer, employee, commissioner, servant or agent of the Issuer shall incur any personal liability with respect to any other action taken by him or her pursuant to the Indenture.

EXCEPT FOR INFORMATION CONCERNING THE ISSUER IN THIS SECTION AND “ABSENCE OF LITIGATION” (WITH RESPECT TO THE ISSUER), NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE ISSUER, AND THE ISSUER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE BONDS

Terms of Bonds Generally

The Bonds shall be issued in Authorized Denominations and shall mature on May 1, 2022* (the “Maturity Date”). The Bonds are dated their date of initial delivery and shall bear interest at the Initial Interest Rate from their date of delivery, to but not including the Initial Mandatory Tender Date, payable on each Interest Payment Date, commencing November 1, 2019*.

Interest on the Bonds shall be computed on the basis of a 360-day year of 12 months of 30 days each.

The principal of and interest on any of the Bonds shall be payable in lawful money of the United States of America. Except as described below under the subcaption “Book-Entry-Only System”, (a) the principal of any Bond shall be payable when due to a Holder upon presentation and surrender of such Bond at the Designated Office of the Trustee or at the office designated by the Trustee, and (b) interest on any Bond shall be paid on each Interest Payment Date by check or draft which the Trustee shall cause to be mailed on that date to the Person in whose name the Bond (or one or more Predecessor Bonds) is registered at the close of business of the Regular Record Date applicable to that Interest Payment Date on the Register at the address appearing therein.

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

Mandatory Tender

All Outstanding Bonds will be subject to mandatory tender by the Holders for purchase in whole and not in part on each Mandatory Tender Date. Holders of Bonds subject to mandatory tender for purchase shall tender such Bonds to the Trustee by 12:00 noon, Local Time, on each Mandatory Tender Date.

The purchase price for each such Bond shall be payable in lawful money of the United States of America by check or draft, shall equal 100% of the principal amount to be purchased and accrued interest, if any, without premium or prepayment penalty, to the Mandatory Tender Date, and shall be paid in full in the applicable Mandatory Tender Date.

* Preliminary, subject to change

Notice of Mandatory Tender

Notice to Holders. Not less than 30 days preceding a Mandatory Tender Date, the Trustee will give written notice of mandatory tender to the Holders of the Bonds then Outstanding (with a copy to the Borrower, the Investor Limited Partner and the Remarketing Agent) by first class mail, postage prepaid, at their respective addresses appearing on the Register stating:

(i) the Mandatory Tender Date and that (a) all Outstanding Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date, (b) all Outstanding Bonds must be tendered for purchase no later than 12:00 noon Local Time on the Mandatory Tender Date and (c) Holders will not have the right to elect to retain their Bonds;

(ii) the address of the Designated Office of the Trustee at which Holders should deliver their Bonds for purchase and the date of the required delivery;

(iii) that 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; and

(iv) that 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.

Second Notice. In the event that any Bond required to be delivered to the Trustee for payment of the purchase price of such Bond shall not have been delivered to the Trustee on or before the 30th day following a Mandatory Tender Date, the Trustee shall mail a second notice to the Holder of the Bond at its address as shown on the Register setting forth the requirements set forth in the Indenture for delivery of the Bond to the Trustee and stating that delivery of the Bond to the Trustee (or compliance with the provisions of the Indenture concerning payment of lost, stolen or destroyed Bonds) must be accomplished as a condition to payment of the purchase price or redemption price applicable to the Bond.

Bonds Deemed Tendered

Bonds will be deemed to have been tendered whether or not the Holders shall have delivered such Undelivered Bonds to the Trustee, and subject to the right of the Holders of such Undelivered Bonds to receive the purchase price of such Bonds and interest accrued thereon to the Mandatory Tender Date, such Undelivered Bonds shall be null and void. If such Undelivered Bonds are to be remarketed, the Trustee will authenticate and deliver new Bonds in replacement thereof pursuant to the remarketing of such Undelivered Bonds.

Source of Funds for Purchase of Bonds

On each Mandatory Tender Date the Bonds tendered (or deemed tendered) to the Trustee for purchase in accordance with the Indenture will be purchased at a price of 100% of the principal amount thereof plus accrued interest to the Mandatory Tender Date. Funds for the payment of the Purchase Price for such Bonds will be paid by the Trustee solely from the following sources and in the following priority:

(i) amounts representing proceeds of remarketed Bonds deposited in the Remarketing Proceeds Account, to pay the principal amount, plus accrued interest, of Bonds tendered for purchase;

(ii) amounts on deposit in the Collateral Fund, to pay the principal amount of Bonds tendered for purchase;

(iii) amounts on deposit in the Negative Arbitrage Account of the Bond Fund to pay the accrued interest on Bonds tendered for purchase;

- (iv) amounts on deposit in the Project Fund; and
- (v) any other Eligible Funds available or made available for such purpose at the direction of the Borrower.

Book-Entry Only System

The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s Book-Entry System has been obtained from DTC and has not been independently verified by the Issuer, the Trustee, the Borrower, the Underwriter or any of their respective counsel, members, officers or employees. No representation whatsoever as to the accuracy, adequacy or completeness of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof, is made by the Issuer, the Trustee, the Borrower, the Underwriter or any of their respective counsel, members, officers or employees.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

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 a Standard & Poor’s 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 the 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 “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 affect any change in beneficial ownership. DTC has no knowledge of the actual 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 Beneficial Owners. The Direct and Indirect 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 Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial 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 dividend 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 Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

Additional Bonds

No additional Bonds on parity with the Bonds may be issued pursuant to the Indenture.

Registration and Transfer of Bonds

So long as any of the Bonds remain Outstanding, the Issuer will cause books for the registration and transfer of Bonds, as provided in the Indenture, to be maintained and kept at the Designated Office of the Trustee.

Subject to the provisions of the Indenture, any Bond may be transferred upon the Register, upon presentation and surrender thereof at the Designated Office of the Trustee, together with an assignment duly executed by the Holder or its duly authorized attorney in any form which shall be satisfactory to the Trustee. Upon transfer of any Bond and on request of the Trustee, the Issuer shall execute in the name of the transferee, and the Trustee shall authenticate and deliver, a new Bond or Bonds, of any Authorized Denomination or Denominations in an aggregate principal amount equal to the unmatured principal amount of, and bearing interest at the same rate and maturing on the same date or dates as, the Bonds presented and surrendered for transfer.

In all cases in which Bonds shall be transferred under the Indenture, the Issuer shall execute, and the Trustee shall authenticate and deliver, Bonds in accordance with the provisions of the Indenture. The transfer shall be made without charge; provided, that the Issuer and the Trustee may make a charge for every exchange or transfer of Bonds sufficient to reimburse them for any tax or excise required to be paid with respect to the transfer. The charge shall be paid before a new Bond is delivered.

All Bonds issued upon any transfer of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under the Indenture, as the Bonds surrendered upon transfer.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Indenture requires the Bonds to be secured at all times by Eligible Investments and Eligible Funds sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at maturity or upon mandatory tender or acceleration, as further described herein.

To the extent provided in and except as otherwise permitted by the Indenture, the Bonds will be secured by all right, title and interest of the Issuer in the Trust Estate (as defined below), including, but not limited to (i) the Revenues, including, without limitation, all Loan Payments, Collateral Payments and other amounts receivable by or on behalf of the Issuer under the Loan Agreement in respect of repayment of the Loan, (ii) the Special Funds (except for money in the Rebate Fund required to be rebated or paid as a yield reduction payment to the United States of America under the Code), including all accounts in those Funds and all money deposited therein and the investment earnings on such money, (iii) all right, title and interest of the Issuer in the proceeds derived from the sale of the Bonds, and any securities in which money in the Special Funds are invested, and (except for money in the Rebate Fund required to be rebated or paid as a yield reduction payment to the United States of America under the Code, if any) the proceeds derived therefrom, and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred, as and for additional security under the Indenture by the Issuer or by anyone in 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, (iv) the Note and (v) the Loan Agreement, except for the Reserved Rights (the foregoing collectively referred to as the "Trust Estate"). Revenues include the payments required to be made by the Borrower under the Loan Agreement and the Note; the Collateral Payments to be received by the Trustee as a prerequisite to the advance of Bond proceeds in the Project Fund; all other money received or to be received by the Issuer or the Trustee in respect of repayment of the Loan, including without limitation, all money and investments in the Bond Fund; any money and investments in the Project Fund and the Collateral Fund; and all income and profit from the investment of the foregoing money.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR PLEDGE OF THE GENERAL CREDIT OF THE ISSUER WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OF INDEBTEDNESS. THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND DO NOT CONSTITUTE OR CREATE A DEBT OR OBLIGATION, EITHER GENERAL OR SPECIAL, OR LIABILITY OR MORAL OBLIGATION OF KNOX COUNTY, TENNESSEE (THE

“COUNTY”), THE STATE OF TENNESSEE (THE “STATE”) OR ANY COUNTY, MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. NEITHER THE FAITH OR CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR OF ANY COUNTY, MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS. THE BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER (WHICH HAS NO TAXING POWER) BUT ARE LIMITED REVENUE OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS SHALL BE A VALID CLAIM ONLY AS AGAINST THE PLEDGED REVENUES, IS NOT A GENERAL OBLIGATION OF THE COUNTY, THE STATE, OR ANY COUNTY, MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE, OR ANY COUNTY, MUNICIPALITY, POLITICAL SUBDIVISION OF THE STATE OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS.

Repayment of Loan

The Loan Agreement and the Note obligate the Borrower to cause to be paid to the Trustee amounts which shall be sufficient to pay Bond Service Charges coming due on each Bond Payment Date, however, it is expected the Collateral Payments required to be deposited in the Collateral Fund, along with interest earnings thereon and amounts on deposit in the Negative Arbitrage Account of the Bond Fund and the Project Fund, will be sufficient to pay such Bond Service Charges and such amounts will be a credit against the Borrower’s payment obligations under the Loan Agreement and the Note. The Borrower’s obligations to make payments pursuant to the Loan Agreement and Bond Documents are limited, nonrecourse obligations of the Borrower, and Holders of the Bonds will have recourse only to the Trust Estate. No other revenues or assets of the Borrower or its partners will be available for the payment of, or as security for, the Bonds.

Bond Fund

So long as there are any Outstanding Bonds, to the extent the Borrower has not received a credit against Loan Payments, all Loan Payments under the Loan Agreement shall be paid on or before each Bond Payment Date directly to the Trustee, and deposited in the Bond Fund, in at least the amount necessary to pay Bond Service Charges due on the Bonds on such Bond Payment Date.

The Bond Fund (and accounts therein) and the money and Eligible Investments therein shall be used solely and exclusively for the payment of Bond Service Charges as they become due.

Bond Service Charges shall be payable, as they become due, in the following order: (a) from money on deposit in the Negative Arbitrage Account of the Bond Fund (but only to pay the interest portion of Bond Service Charges), (b) from the money on deposit in the Bond Fund, other than the Negative Arbitrage Account thereof, (c) from money on deposit in the Collateral Fund and transferred as necessary to the Bond Fund, (d) from money on deposit in the Project Fund and transferred as necessary to the Bond Fund, and (e) from money on deposit in the Negative Arbitrage Account of the Bond Fund (to pay all Bond Service Charges).

The amount of aggregate interest payments due on the Bonds is required, pursuant to the Indenture and the Loan Agreement, to be deposited on the Closing Date to the Negative Arbitrage Account of the Bond Fund from or on behalf of the Borrower. Such deposit must consist of Eligible Funds.

Project Fund and Collateral Fund

The Project Fund will be funded with the proceeds of the Bonds on the Closing Date. Funds on deposit in the Project Fund will be disbursed to finance Project Costs in accordance with the Loan Agreement. To the extent money is not otherwise on deposit with the Trustee, including amounts on deposit in the Bond Fund and the Collateral Fund, then on each Interest Payment Date, the Trustee will transfer from the Project Fund to the Bond Fund, sufficient money to pay the interest and principal payments coming due on such date.

The Trustee shall deposit all Collateral Payments received pursuant to the Loan Agreement and any other Eligible Funds received by the Trustee to the Collateral Fund.

The Indenture provides that the amount of funds disbursed from the Project Fund on any given date for the financing of Project Costs shall be equal to the corresponding amount deposited as a Collateral Payment to the Collateral Fund. Accordingly, the aggregate amount in the Collateral Fund and the Project Fund shall at all times equal 100% of the principal amount of the Bonds outstanding.

Notwithstanding any provision of the Loan Agreement, the Loan Disbursement Procedures Agreement or the Indenture to the contrary, the Trustee will not act upon the delivery of a request for disbursement of funds from the Project Fund, other than to pay Bond Service Charges on the Bonds, unless and until (i) an amount equal to or greater than the requested disbursement amount has been deposited in the Collateral Fund in accordance with the provisions of the Indenture and (ii) the Trustee has determined that the sum of the amount on deposit in the Collateral Fund and the amount on deposit in the Project Fund, less the anticipated amount of the disbursement from the Project Fund is at least equal to the then outstanding principal amount of the Bonds.

See “Bond Fund,” “Project Fund” and “Collateral Fund” in APPENDIX B hereto.

Additional Bonds

No additional Bonds on parity with the Bonds may be issued pursuant to the Indenture.

PRIVATE PARTICIPANTS

The following information concerning the private participants has been provided by representatives of the private participants and has not been independently confirmed or verified by either the Underwriter or the Issuer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Borrower

The Borrower is Clear Springs II, L.P., a Tennessee limited partnership, and a single asset entity formed in 2018 for the specific purpose of acquiring, rehabilitating and owning the Project. The general partner of the Borrower is Clear Springs GP, LLC, a Tennessee limited liability company established in 2018 (the “General Partner”), which will have a 0.01% general partnership interest in the Borrower. The Investor Limited Partner will own a 99.99% limited partnership interest in the Borrower.

LHP Capital, LLC, a Tennessee limited liability company (“LHP”) serves as the developer of the Project. LHP and its predecessors have been involved in the development and management of affordable rental housing since 1975, with ties to more than 10,000 units of Section 8 subsidized and low income housing tax credit restricted properties during that time.

Investor Limited Partner

Prior to or simultaneously with the issuance of the Bonds, the Borrower expects to admit the Investor Limited Partner as a 99.99% limited partner in the Borrower. The equity funding arrangements for such ownership interest will require that equity contributions be paid in stages during and after rehabilitation of the Project. These funding levels 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 from the projections set forth above and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds.

Limited Assets and Obligation of Borrower, General Partner and Limited Partners

The Borrower and the General Partner have no substantial assets other than the Project and do not intend to acquire any other substantial assets or to engage in any substantial business activities other than those related to the

ownership of the Project. The Investor Limited Partner, LHP and its affiliates 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, members, developers, managers, sponsors or otherwise, and devote substantial time to, business and activities that may be inconsistent or competitive with the interests of the Project.

The obligations and liabilities of the Borrower under the Loan Agreement and the Note are non-recourse to the Borrower and its partners and are limited to the Project, subject to rights of the Lender, and certain surplus cash derived from the operation of the Project. 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 Project. Accordingly, neither the Borrower's financial statements nor those of its partners are included in this Official Statement.

The Managing Agent

The Project is expected to be managed by LHP Management, LLC, a Tennessee limited liability company (in such capacity, the “Managing Agent”).

The Lender

Walker & Dunlop, LLC, a Delaware limited liability company (the “Lender”), will, upon satisfaction of certain conditions precedent, make the Mortgage Loan to the Borrower. The Lender specializes in FHA-insured construction and permanent mortgage loans for multifamily and seniors housing projects. The Lender has been approved by HUD as an eligible issuer and servicer of loans guaranteed by GNMA.

THE PROJECT

The Project will be comprised of 109 residential apartment units in eight split level buildings of two-three stories on approximately 9.85 acres in Knoxville, Tennessee. The Project was originally constructed in 1980. The Project is constructed of frame and vinyl siding. Rehabilitation of the Project is scheduled to begin promptly following the issuance of the Bonds. Planned improvements include: new HVAC units, replacement of appliances, new kitchen cabinets and countertops, bathroom upgrades, new interior flooring, ADA upgrades to 5% of the units, exterior entry door hardware replacement, and providing free cable television and internet to each unit.

The unit mix for the Project will be as follows:

	<u>Approximate Square Footage</u>	<u>Number of Units</u>
1BR	659	22
2 BR	890	65
3 BR	1,126	22

Section 8 Assistance

The Project is the subject of one project-based Section 8 Housing Assistance Payments Basic Renewal Contract (the “HAP Contract”) for all 109 Project units (the “Section 8 Units”), which contract will be scheduled to expire in 2039 after a 20-year extension is executed at closing. The HAP Contract provides for HUD to fund certain rental assistance payments on behalf of Eligible Tenants in the Section 8 Units based on certain rents determined by HUD (“Contract Rents”). Eligible Tenants are defined generally as those households whose income does not exceed 80% (on a scale weighted to reflect family size) of the median income for an area as determined by HUD. The HAP Contract also requires that preference be given to leasing to very low-income tenants (tenants having incomes that do not exceed 50%, on a weighted scale, of the median incomes for the area). Eligible Tenants pay a maximum of 1/3 of their monthly adjusted gross income as rent with the HAP Contract contributing the remaining difference between the tenant share and the HUD determined monthly rental rate. The HAP Contract is expected to have a term as described above, although the funds to make the assistance payments under the HAP Contract are subject to annual appropriations by Congress. Housing assistance payments are subject to abatement or termination if

dwelling units are not properly maintained or occupied and the HAP Contract may be terminated in the event of a default thereunder by the Borrower.

There are numerous proposals, both by HUD and in Congress, to restructure HUD and to modify the Section 8 program. No assurance can be given as to the effect of any future legislative or administrative changes upon HUD or the Section 8 program. Any decrease in the Contract Rents payable under the HAP Contract would reduce the revenues of the Project and could affect the ability of the Borrower to make required payments on the Mortgage Loan.

Management Agreement

The Borrower has entered into a Management Agreement with the Managing Agent to engage the Managing Agent to manage the Project. Under the Management Agreement, the Managing Agent will manage the day-to-day operations of the Project.

Project Regulation

The Borrower intends to acquire, rehabilitate and operate the Project as a qualified residential rental project in accordance with the provisions of Section 142(d) of the Code. Concurrently with the issuance of the Bonds, the Borrower, the Issuer and the Trustee will enter into the Land Use Restriction Agreement. Under the Land Use Restriction Agreement, the Borrower will agree that, at all times during the Qualified Project Period, the Borrower will rent at least 40% of the units in the Project to persons whose adjusted family income (determined in accordance with the provisions of the Code) is less than 60% of the median area income (adjusted for family size). The Qualified Project Period commences on the later of the Closing Date or the first day on which at least 10% of the units are occupied and continues until the latest of (a) the date which is fifteen (15) years after the later of the Closing Date or the date on which at least fifty percent (50%) of the units in the Project are first occupied, (b) the first date on which no tax-exempt private activity bonds with respect to the Project are outstanding, or (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates. The failure of the Borrower to comply with the Land Use Restriction Agreement could cause interest on the Bonds to be included in gross income for federal income tax purposes. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT".

The Project will also be encumbered by the Tax Credit Restrictive Covenant required by Section 42 of the Code relating to the Federal Tax Credits, which will (a) restrict the income levels of 100% of the units in the Project to amounts not greater than 60% of the area median income adjusted for family size, and (b) restrict the resident portion of the rents which may be charged for occupancy of units in the Project to not more than 30% of 60% of area median income, adjusted for family size.

Additional restrictions are imposed on the Project pursuant to the HUD Regulatory Agreement entered into by the Borrower in connection with the Mortgage Loan, and by the HAP Contract.

PLAN OF FINANCING

The total cost of the Project, including acquisition, rehabilitating, equipping, financing costs and reserves, is estimated by the Borrower to be approximately \$22,431,192*. In addition to the proceeds of the Bonds and the Mortgage Loan of approximately \$13,400,000*, other sources of construction period funding sources are expected to include equity contributions by the Investor Limited Partner of approximately \$6,244,565* and approximately \$2,801,340* of deferred developer fee. Permanent financing sources include the Mortgage Loan and approximately deferred developer fee.

* Preliminary, subject to change

The sources and uses of funds to be applied under the Indenture are projected to be approximately as follows:

Sources of Funds:

Bond Proceeds	\$11,000,000*
Negative Arbitrage Advance ¹	\$ _____
Total	\$ _____

Uses of Funds:

Project Fund	\$11,000,000*
Negative Arbitrage Account ²	\$ _____
Total	\$ _____

¹Expected to be provided by the Underwriter on behalf of the Borrower to make required deposits to the Negative Arbitrage Account pursuant to the Bond Purchase Agreement.

²The deposit into the Negative Arbitrage Account has been calculated to be sufficient to provide for the payment of interest which will become due on the Bonds to but not including the Initial Mandatory Tender Date.

Additional Information. To assist investors with complying with Federal Home Loan Bank collateral regulations, the Borrower presently contemplates that approximately 100% of the proceeds of the Bonds will be used to finance or refinance the acquisition, rehabilitation, and/or improvement of real property.

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 Loan Agreement and the Note, and from amounts on deposit in the Special Funds and the interest earnings thereon. The Borrower's obligation to make payments pursuant to the Loan Agreement and the Note are nonrecourse obligations with respect to which the Borrower and its partners have no personal liability and as to which the Borrower and its partners have not pledged any of their respective assets. The Eligible Investments to be held in the Special Funds are calculated to, at all times, be in an amount sufficient to pay interest and principal on the Bonds as and when due.

General

Payment of the Bond Service Charges, and the Borrower's obligations with respect to the Bond Service Charges, will be primarily secured by and payable from Bond proceeds held in the Project Fund and money deposited into the Collateral Fund and the Bond Fund, including the Negative Arbitrage Account held in the Bond Fund. Although the Borrower will execute the Note to evidence its obligation to repay the Loan, it is not expected that any revenues from the Project or other amounts, except money in the Special Funds, will be available to satisfy that obligation. The Borrower's obligations pursuant to the Note and the Loan Agreement are non-recourse to the Borrower and its partners. The Indenture requires the Trustee to verify, before any disbursement of funds from the Project Fund, that the sum of the funds on deposit in the Project Fund and the Collateral Fund is at least equal to the then outstanding principal amount of the Bonds. The Funds on deposit in the Special Funds and the interest earnings thereon are calculated to be sufficient to pay the debt service on the Bonds. See "VERIFICATION REPORT" herein.

Limited Security for Bonds

The Bonds are special limited obligations of the Issuer payable solely from the Trust Estate, which includes certain funds pledged to and held by the Trustee pursuant to the Indenture.

The Bonds are offered solely on the basis of the amounts held under the Indenture and are not offered on the basis of the credit of the Borrower, the feasibility of the Project or any other security. As a consequence, limited information about the Project and no information about the financial condition or results of operations of the

Borrower is included in this Official Statement. The Bonds are offered only to investors who, in making their investment decision, rely solely on the amounts held under the Indenture and not on the credit of the Borrower, the feasibility of the Project or any other security.

The Bonds are not secured by the Mortgage Loan, any GNMA Certificate, the Project or any mortgage on the Project. Investors should look exclusively to amounts on deposit in the Special Funds under the Indenture and investment earnings on each as the source of payment of debt service on the Bonds.

Future Determination of Taxability of the Bonds

THE BONDS ARE NOT SUBJECT TO 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 Project) does not maintain the Project as a “qualified residential rental project” for the Qualified Project Period, or does not comply with other provisions of certain tax-related agreements executed in connection with the Bonds which are designed, if complied with, to satisfy the continuing compliance requirements of the Code in order for the interest on the Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with such provisions could cause the interest on the Bonds to be or become taxable to the Holders for federal income tax purposes from the date of original issuance.

Issuer Limited Liability

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. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein. The Bondholders will have no recourse to the Issuer in the event of an Event of Default on the Bonds. The Trust Estate for the Bonds will be the only source of payment on the Bonds.

Enforceability of Remedies upon an Event of Default

The remedies available to the Trustee and the owners of the Bonds upon an Event of Default under the Indenture, the Loan Agreement, the Land Use Restriction Agreement or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

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.

Eligible Investments

Proceeds of the Bonds deposited into the Project Fund and money received by the Trustee for deposit into the Collateral Fund are required to be invested in Eligible Investments at the direction of the Borrower. See “APPENDIX A – Definitions of Certain Terms” hereto and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein for the definition of Eligible Investments. There can be no assurance that there will not be a loss resulting from any investment held for the credit of the Project Fund or the Collateral Fund, and any failure to receive a return of the amounts so invested could affect the ability to pay the principal of and interest on the Bonds.

Rating Based on Eligible Investments

The rating on the Bonds is based on their being invested in Eligible Investments. If one or more of such investments fail to meet the rating standards for Eligible Investments after their acquisition and prior to maturity, such a change may result in a downgrade or withdrawal of the rating on the Bonds.

Subordination to Mortgage Loan Documents

The Indenture, the Loan Agreement, the Note and the Land Use Restriction Agreement contain provisions regarding subordination of such documents to the Mortgage Loan Documents and the Controlling HUD and GNMA Requirements. No assurance can be given that such provisions will not impair the excludability of interest on the Bonds from gross income for federal income tax purposes. See “HUD AND GNMA REQUIREMENTS TO CONTROL” herein.

Future Legislation; IRS Examination

The Project, its operation and the treatment of interest on the Bonds are subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. There can be no assurance that relevant local, State or federal laws, rules and regulations may not be amended or modified or interpreted in the future in a manner that could adversely affect the Bonds, the trust estate created under the Indenture, the Project, or the financial condition of or ability of the Borrower to comply with its obligations under the various transaction documents or the Bonds offered hereby.

In recent years, the Internal Revenue Service (“IRS”) has increased the frequency and scope of its examination and other enforcement activity regarding tax exempt bonds. Currently, the primary penalty available to the IRS under the Code is a determination that interest on tax exempt bonds is subject to federal income taxation. Such event could occur for a variety of reasons, including, without limitation, failure to comply with certain requirements imposed by the Code relating to investment restrictions, periodic payments of arbitrage profits to the United States of America, the timely and proper use of Bond proceeds and the facilities financed therewith and certain other matters. See “TAX MATTERS” herein. No assurance can be given that the IRS will not examine the Issuer, the Borrower, the Project or the Bonds. If the Bonds are examined, it may have an adverse impact on their price and marketability.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the Appendices hereto.

UNDERWRITING

Raymond James & Associates, Inc. (the “Underwriter”) has entered into a Bond Purchase Agreement to purchase all of the Bonds, if any of the Bonds are to be purchased, at a price equal to the principal amount thereof. The Bond Purchase Agreement provides that the Underwriter will receive compensation for its services from the Borrower in the amount of \$_____ (not including the fees and expenses of counsel to the Underwriter) and is to be reimbursed for any deposit made by the Underwriter in connection with the deposit to the Negative Arbitrage Account pursuant to the Bond Purchase Agreement. The obligations of the Underwriter to pay for the Bonds are subject to certain terms and conditions set forth in the Bond Purchase Agreement. Pursuant to the Bond Purchase Agreement, the Borrower has agreed to indemnify the Underwriter and the Issuer against certain civil liabilities, including liabilities under federal securities laws.

The Underwriter’s obligations are subject to certain conditions precedent, and the Underwriter will purchase all the Bonds, if any are purchased. It is intended that the Bonds will be offered to the public initially at the offering price set forth on the cover page of this Official Statement and that such offering price subsequently may change without any requirement of prior notice.

The Underwriter may offer and sell Bonds that it purchases to certain dealers including dealer banks and dealers depositing Bonds into investment trusts and others at prices lower than the public offering prices stated on the cover of this Official Statement. The initial public offering prices of the Bonds may be changed from time to time by the Underwriter.

The Underwriter does not guarantee a secondary market for the Bonds and is not obligated to make any such market in the Bonds. No assurance can be made that such a market will develop or continue. Consequently, investors may not be able to resell Bonds should they need or wish to do so for emergency or other purposes.

In addition to serving as Underwriter, Raymond James & Associates, Inc. (“Raymond James”) has been designated to serve as Remarketing Agent and will receive a fee for its remarketing services in connection with the remarketing of the Bonds on the Initial Mandatory Tender Date.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates may have, from time to time, performed, and may in the future perform, various investment banking services either for the Issuer and/or the Borrower and affiliates thereof, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Borrower and affiliates thereof.

The Underwriter is not acting as financial advisor to the Issuer or the Borrower in connection with the offer and sale of the Bonds.

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

REGISTERED INVESTMENT ADVISOR

Raymond James may also act as registered investment advisor to the Borrower in its capacity as bidding agent in conducting a competitive bid procurement for the purchase of open market securities to be held in the Project Fund. Raymond James may receive compensation for bidding agent services contingent on the sale and delivery of the Bonds.

TAX MATTERS

Federal Taxes

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the Issuer and the Borrower and assuming compliance by the Issuer and Borrower with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder’s federal gross income under the Internal Revenue Code of 1986, as amended (the “Code”), except for interest on any Bond during any period while it is held by a “substantial user” of the Project or a “related person” within the meaning of the Code, and
- is not a preference item for a bondholder under the federal alternative minimum tax.

The Code imposes requirements on the Bonds that the Issuer and the Borrower must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the Issuer and the Borrower do not meet these requirements, it is possible that a bondholder may

have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The Issuer and/or the Borrower have covenanted to do everything necessary to meet these requirements of the Code, including, without limitation, agreeing to certain covenants regarding the use of the Project as provided in the Land Use Restriction Agreement.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also “Changes in Federal and State Tax Law” below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have “original issue discount” if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel’s opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder’s federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder’s tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a

credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes In Federal And State Tax Law

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 and state 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. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of owning the Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

The opinion of Bond Counsel will be delivered contemporaneously with the issuance of the Bonds substantially in the form attached hereto as APPENDIX F.

RATING

The Bonds are expected to be assigned the rating of "AA+" with stable outlook by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). 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 reflects only the view of S&P, and an explanation of the significance of such rating may be obtained from S&P 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 S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The Underwriter and the Issuer have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

CONTINUING DISCLOSURE

Prior to the issuance of the Bonds, the Borrower will execute and deliver a Continuing Disclosure Agreement pursuant to which the Borrower will agree to provide ongoing disclosure pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). Financial statements and other operating data will be provided at least annually to the Municipal Securities Rulemaking Board (the MSRB) and notices of certain events will be issued pursuant to the Rule. Information will be filed with the MSRB through its Electronic Municipal Market Access (EMMA) system, unless otherwise directed by the MSRB. A form of the Continuing Disclosure Agreement is attached hereto as APPENDIX E.

A failure by the Borrower to comply with the Continuing Disclosure Agreement will not constitute an Event of Default under the Indenture. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by a broker or 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 and their market price and the ability of the Issuer to issue and sell bonds in the future.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to approving opinions of Bass Berry & Sims PLC, Knoxville, Tennessee as Bond Counsel. Certain legal matters will be passed upon for the Issuer by Egerton McAfee Armistead & Davis, P.C., Knoxville, Tennessee, for the Borrower by special counsel, Gentry, Tipton & McLemore, P.C., Knoxville, Tennessee. Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Memphis, Tennessee, shall serve as underwriter's counsel to the transaction. Payment of the fees of certain counsel to the transaction is contingent upon the issuance and delivery of the Bonds as described herein.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering those 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.

ABSENCE OF LITIGATION

The Issuer

There is no litigation pending or, to the knowledge of the Issuer, threatened seeking to enjoin the issuance, execution, or delivery of the Bonds, or in any way contesting or affecting any authority for the issuance, execution, or delivery of the Bonds, or the validity of the Bonds, or contesting the existence or powers of the Issuer with respect to the transactions contemplated in this Official Statement.

The Borrower

There is no litigation pending or, to the knowledge of the Borrower, threatened seeking to enjoin the Borrower's execution or delivery of the Loan Agreement, the Note, the Land Use Restriction Agreement or any other instrument or agreement to which the Borrower is a party and which is contemplated for use in the transactions contemplated by this Official Statement, or seeking to restrain or enjoin the Borrower's participation in such

transactions or contesting the existence or powers of the Borrower with respect to the transactions contemplated by this Official Statement, or which in the aggregate could have a material adverse effect on the financial condition or the operations of the Borrower.

VERIFICATION REPORT

Causey, Demgen & Moore P.C., independent 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 and reviewed and approved by the Borrower. 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.

HUD AND GNMA REQUIREMENTS AND MORTGAGE LOAN DOCUMENTS TO CONTROL

To the extent there is any conflict, inconsistency or ambiguity between or among the provisions of the Indenture, the Loan Agreement, the Land Use Restriction Agreement and the Controlling HUD and GNMA Requirements or the Mortgage Loan Documents, then in such event the Controlling HUD and GNMA Requirements or Mortgage Loan documents will be deemed to be controlling and any such ambiguity or inconsistency will be resolved in favor of and pursuant to the Controlling HUD and GNMA Requirements or the provisions of the Mortgage Loan Documents.

Notwithstanding anything to the contrary contained in the Indenture, the Land Use Restriction Agreement or the Loan Agreement, the enforcement of the Indenture, the Land Use Restriction Agreement or the Loan Agreement shall not result in any claim against the Project, Mortgage Loan proceeds, any reserve or deposit made with the Lender or with another person or entity required by HUD in connection with the Mortgage Loan transactions, or against rents or other income from the Project other than available “surplus cash” as defined in the Mortgage Loan Documents available for distribution to the Borrower under the Mortgage Loan Documents. Nothing contained in the Indenture, the Land Use Restriction Agreement or the Loan Agreement, however, shall prevent or preclude the Trustee from using funds on deposit in the Bond Fund to make payments to Holders as and to the extent expressly permitted by the provisions of the Indenture or the Loan Agreement and/or to use funds on deposit in the Project Fund and Collateral Fund to make payment to or on behalf of the Lender.

If the Indenture, the Land Use Restriction Agreement or the Loan Agreement contain any provision requiring the Issuer, the Borrower, the Trustee or any other party to the transaction to take any action necessary to preserve the tax exemption of interest on the Bonds, or prohibiting any such party to the transaction from taking any action that might jeopardize such tax exemption, such provision is qualified to except any actions required (or prohibited) by HUD or GNMA pursuant to Controlling HUD and GNMA Requirements and the Mortgage Loan documents.

Notwithstanding any provision of the Indenture, the Land Use Restriction Agreement or the Loan Agreement to the contrary, the parties thereto acknowledge and agree that all of their respective rights and powers to any assets or properties of the Borrower are subordinate and subject to the liens created by the Mortgage, together with any and all amounts from time to time secured thereby, and interest thereon, and to all of the terms and provisions of the Mortgage, and any and all other documents executed by the Borrower as required by HUD or GNMA in connection therewith.

ADDITIONAL INFORMATION

The summaries and explanation of, or references to, the Act, the Indenture and the Bonds included in this Official Statement do not purport to be comprehensive or definitive. Such summaries, references and descriptions are qualified in their entirety by reference to each such document, copies of which are on file with the Trustee.

The information contained in this Official Statement is subject to change without notice and no implication shall be derived therefrom or from the sale of the Bonds that there has been no change in the affairs of the Issuer from the date hereof.

This Official Statement is submitted in connection with the offering of the Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in the Official Statement involving matters of opinion or estimate, 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 and the owners of any of the Bonds.

* * * * *

The execution and delivery of this Official Statement and the incorporation of the appendices hereto have been duly authorized by the Borrower.

CLEAR SPRINGS II, L.P.,
a Tennessee limited partnership

By: Clear Springs GP, LLC, a Tennessee limited liability company, its sole General Partner

By: _____
W. Carr Hagan, III, Vice President

[Borrower Signature Page to Official Statement]

APPENDIX A

DEFINITIONS OF CERTAIN TERMS*

Certain capitalized terms used in this Official Statement are defined below. The following is subject to all the terms and provisions of the Indenture, to which reference is hereby made and copies of which are available from the Issuer or the Trustee.

“*Act*” means Part 3, Chapter 101, Title 48 of the Tennessee Code Annotated, as amended.

“*Act of Bankruptcy*” means notice to the Trustee that the Borrower has become insolvent or has failed to pay its debts generally as such debts become due or has admitted in writing its inability to pay any of its indebtedness or has consented to or has petitioned or applied to any court or other legal authority for the appointment of a receiver, liquidator, trustee or similar official for itself or for all or any substantial part of its properties or assets or that any such trustee, receiver, liquidator or similar official has been appointed or that a petition in bankruptcy, insolvency, reorganization or liquidation proceedings (or similar proceedings) have been instituted by or against the Borrower; provided that, if in the case of an involuntary proceeding, such proceeding is not dismissed within 90 days after commencement thereof.

“*Additional Payments*” means the amounts required to be paid by the Borrower pursuant to the Loan Agreement.

“*Administrative Expenses*” means the Ordinary Trustee Fees and Expenses and the Dissemination Agent Fee.

“*Affiliate*” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” when used with respect to any specified Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Authorized Borrower Representative*” means any person who, at any time and from time to time, is designated as the Borrower’s authorized representative by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower Representative until such time as the Borrower files with it (with a copy to the Issuer) a written certificate revoking such person’s authority to act in such capacity.

“*Authorized Denomination*” means \$5,000, or any integral multiple of \$5,000 in excess thereof.

“*Authorized Official*” means the Chairman or Vice Chairman of the Issuer and any other officer or employee of the Issuer designated by certificate of any of the foregoing as authorized by the Issuer to perform a specified act, sign a specified document or otherwise take action with respect to the Bonds. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Official is an Authorized Official until such time as such provider files with it a written certificate identifying a different person or persons to act in such capacity.

“*Bank*” means a solvent commercial bank, trust company or financial institution in the business of issuing letters of credit and domiciled or authorized to transact business in the United States of America.

* Preliminary, subject to change

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as in effect now and in the future, or any successor statute.

“Beneficial Owner” means with respect to the Bonds, the Person owning the Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

“Beneficial Ownership Interest” means the right to receive payments and notices with respect to the Bonds held in a Book-Entry System.

“Bond Counsel” means Bass, Berry & Sims PLC or such other counsel acceptable to the Issuer and the Trustee nationally recognized as having an expertise in connection with the exclusion of interest on obligations of states and local governmental units from the gross income of holders thereof for federal income tax purposes.

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

“Bond Payment Date” means each Interest Payment Date and any other date Bond Service Charges on the Bonds are due, whether at maturity, upon redemption, Mandatory Tender or acceleration or otherwise.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated as of _____, 2019, among the Underwriter, the Issuer and the Borrower.

“Bond Resolution” means that certain resolution relating to the issuance of the Bonds, adopted by the Governing Body on March 12, 2019.

“Bond Service Charges” means, for any period or payable at any time, the principal of and interest on the Bonds for that period or payable at that time whether due at maturity or upon redemption, Mandatory Tender or acceleration.

“Bonds” means The Health, Educational and Housing Facility Board of the County of Knox Collateralized Multifamily Housing Bonds (Clear Springs Apartments Project) Series 2019, authorized in the Bond Resolution and the Indenture in the amount of \$11,000,000*.

“Book-Entry Form” or **“Book-Entry System”** means, with respect to the Bonds, a form or system, as applicable, under which (a) physical Bond certificates in fully registered form are issued only to a Depository or its nominee, with the physical Bond certificates “immobilized” in the custody of the Depository and (b) the ownership of Book-Entry interests in Bonds and Bond Service Charges thereon may be transferred only through a Book-Entry made by others than the Issuer or the Trustee. The records maintained by others than the Issuer or the Trustee constitute the written record that identifies the owners, and records the transfer, of Book-Entry interests in those Bonds and Bond Service Charges thereon.

“Borrower” means Clear Springs II, L.P., a Tennessee limited partnership.

“Borrower Documents” means the Financing Documents and the Mortgage Loan Documents to which the Borrower is a party.

“Business Day” means a day, other than a Saturday or a Sunday, on which (a) banking institutions in the City of New York or in the city in which the Designated Office of the Trustee or Remarketing Agent is located is authorized or obligated by law or executive order to be closed, or (b) The New York Stock Exchange is closed.

“Cash Flow Projection” means a cash flow projection prepared by an independent firm of certified public accountants, a financial advisory firm, a law firm or other independent third party qualified and experienced in the preparation of cash flow projections for structured finance transactions similar to the Bonds, designated by the Borrower and acceptable to the Remarketing Agent and the Rating Agency, establishing, to the satisfaction of the Remarketing Agent and the Rating Agency, the sufficiency of (a) the amount on deposit in the Special Funds (other than the Rebate Fund), (b) projected investment income to accrue on amounts on deposit in the Project Fund and Collateral Fund during the applicable period and (c) any additional Eligible Funds delivered to the Trustee by or on

behalf of the Borrower to pay Bond Service Charges and the Administrative Expenses, in each instance, when due and payable, including, but not limited to, any cash flow projection prepared in connection with (i) the initial issuance and delivery of the Bonds and (ii) a proposed remarketing of the Bonds, as provided in the Indenture.

“**Closing Date**” means the date of issuance of the Bonds.

“**Code**” means the Internal Revenue Code of 1986, as amended, and as in full force and effect on the date of the Indenture.

“**Collateral Fund**” means the Collateral Fund created in the Indenture.

“**Collateral Payments**” means Eligible Funds paid by or for the benefit of the Borrower in respect to the repayment of the Loan, to the Trustee for deposit into the Collateral Fund as a prerequisite to the advance of money in the Project Fund to make the Loan.

“**Completion Certificate**” means the Completion Certificate in the form attached to the Loan Agreement.

“**Continuing Disclosure Agreement**” means the Continuing Disclosure Agreement dated as of May 1, 2019 between the Borrower and the Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“**Controlling Holders**” means in the case of consent or direction to be given under the Indenture, the Holders of the majority in aggregate principal amount of the Outstanding Bonds.

“**Controlling HUD and GNMA Requirements**” means the National Housing Act and any applicable HUD or GNMA regulations, and related HUD or GNMA administrative requirements and prohibitions, including “Program Obligations” as defined in the HUD Regulatory Agreement.

“**Costs of Issuance**” means the “issuance costs” with respect to the bonds within the meaning of Section 147(g) of the Code.

“**Costs of Issuance Fund**” means the Costs of Issuance Fund created in the Indenture.

“**County**” means Knox County, Tennessee.

“**Depository**” means, with respect to the Bonds, DTC, until a successor Depository shall have become such pursuant to the applicable provisions of the Indenture, and thereafter, Depository shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under a federal law operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of Book-Entry interests in Bonds or Bond Service Charges thereon, and to effect transfers of Book-Entry interests in Bonds.

“**Designated Office**” of the Trustee or the Remarketing Agent means, respectively, the office of the Trustee or the Remarketing Agent at the respective Notice Address set forth in the Indenture or at such other address as may be specified in writing by the Trustee or the Remarketing Agent, as applicable.

“**Dissemination Agent**” means the Trustee, or any successor, as Dissemination Agent under the Continuing Disclosure Agreement.

“**Dissemination Agent Fee**” means the fee payable to the Dissemination Agent as compensation for its services and expenses in performing its obligations under the Continuing Disclosure Agreement.

“**DTC**” means The Depository Trust Company (a limited purpose trust company), New York, New York, and its successors or assigns.

“**DTC Participant**” means any participant contracting with DTC under its Book-Entry system and includes securities brokers and dealers, banks and trust companies and clearing corporations.

“Eligible Funds” means, as of any date of determination, any of:

- (a) the proceeds of the Bonds, including any additional amount paid to the Trustee by the Underwriter as a deposit to the Negative Arbitrage Account pursuant to the Bond Purchase Agreement;
- (b) amounts paid by the Lender to the Trustee representing advances of the Mortgage Loan, whether from funds of the Lender, funds from the Lender’s warehouse line or funds derived by the Lender from the issuance and sale of GNMA Certificates related to such advances;
- (c) amounts drawn by the Trustee on a Letter of Credit, if any, or other loan facility from a Bank;
- (d) remarketing proceeds received from the Remarketing Agent or any purchaser of Bonds designated as such by the Remarketing Agent (other than funds provided by the Borrower, the Issuer, any Affiliate of either the Borrower or the Issuer), and any additional amount paid to the Trustee by the Remarketing Agent as a deposit to the Negative Arbitrage Account pursuant to the Remarketing Agreement;
- (e) any other amounts, including the proceeds of refunding bonds, for which, in each case, (i) the Trustee has received an Opinion of Counsel (which opinion may assume that no Holder or Beneficial Owner of Bonds is an “insider” within the meaning of the Bankruptcy Code) to the effect that (A) the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court and (B) payments of such amounts to Holders would not be avoidable as preferential payments under Section 547 or 550 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code;
- (f) Any payments made by the Borrower and held by the Trustee for a continuous period of 123 days, provided that no Act of Bankruptcy has occurred during such period; and
- (g) investment income derived from the investment of the money described in (a) through (f).

“Eligible Investments” means any of the following investments which mature (or are redeemable at the option of the Trustee) at such time or times as to enable disbursements to be made from the fund in which such investment is held or allocated in accordance with the terms of the Indenture:

- (a) Government Obligations;
- (b) State and Local Government Securities issued by the United States Department of Treasury as time deposits securities; and
- (c) to the extent permitted in the Indenture, shares or units in the Fidelity Institutional Money Market Treasury Only Portfolio or any other money market mutual fund rated “AAAm” by S&P (or if no fund is available at that rating category, the highest rating category then available for that category of fund, or if S&P is not the Rating Agency or a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security) (including mutual 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 mutual fund receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consist solely of direct obligations of the government of the United States of America.

“Eligible Investments” shall not include the following: (1) any investment with a final maturity or any agreement with a term ending later than the earliest of (i) the current Mandatory Tender Date in effect at the time of investment or (ii) the Maturity Date and (2) any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

“Event of Default” means any of the events described as an Event of Default in the Indenture or the Loan Agreement.

“Expense Fund” means the Expense Fund created in the Indenture.

“Extension Payment” means the amount due, if any, to provide adequate additional funds for the payment of Bond Service Charges and Administrative Expenses during a Remarketing Period in connection with the change or extension of the Mandatory Tender Date pursuant to the Indenture, and (a) which shall be determined by a Cash Flow Projection approved in writing by the Rating Agency and (b) must consist of Eligible Funds.

“Extraordinary Issuer Fees and Expenses” means the expenses and disbursements payable to the Issuer under the Indenture for Extraordinary Services and Extraordinary Expenses, including extraordinary fees, costs and expenses incurred by the Issuer, Bond Counsel and Issuer’s Counsel which are to be paid by the Borrower pursuant to the Loan Agreement.

“Extraordinary Services” and **“Extraordinary Expenses”** mean all services rendered and all reasonable expenses properly incurred by the Trustee or the Issuer under the Indenture or the Loan Agreement, other than Ordinary Services and Ordinary Expenses. Extraordinary Services and Extraordinary Expenses shall specifically include services rendered or expenses incurred by the Trustee or the Issuer in connection with, or in contemplation of, an Event of Default.

“Extraordinary Trustee Fees and Expenses” means the expenses and disbursements payable to the Trustee under the Indenture for Extraordinary Services and Extraordinary Expenses, including extraordinary fees, costs and expenses incurred by the Trustee and the Trustee’s counsel which are to be paid by the Borrower pursuant to the Loan Agreement.

“Federal Tax Status” means, as to the Bonds, the status of the interest on the Bonds as excludible from gross income for federal income tax purposes of the Holders of the Bonds (except on Bonds while held by a substantial user or related person, each as defined in the Code).

“FHA” means the Federal Housing Administration of HUD or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD, the Federal Housing Commissioner and their representatives or agents.

“FHA Commitment” means the Commitment for Insurance of Advances, issued by FHA with respect to FHA Insurance on the Mortgage Loan, as the same may be amended.

“FHA Insurance” means the insurance of the Mortgage Loan by FHA pursuant to Section 221(d)(4) of the National Housing Act.

“Financing Documents” means the Indenture, the Bonds, the Loan Agreement, the Note, the Loan Disbursement Procedures Agreement, the Tax Agreement, the Land Use Restriction Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Remarketing Agreement and any other instrument or document executed in connection with the Bonds, together with all modifications, extensions, renewals and replacements thereof, but excluding the GNMA Documents and the Mortgage Loan Documents.

“Fiscal Year” means, with respect to a Person, that period beginning on January 1 of each year and ending on December 31 of that year or such other fiscal year as shall be designated by such Person as its annual accounting period.

“Force Majeure” means any of the causes, circumstances or events described as constituting Force Majeure in Section 7.1 of the Loan Agreement.

“GAAP” means generally accepted accounting principles applied on a consistent basis.

“GNMA” means the Government National Mortgage Association, an organizational unit within HUD, or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD and his representatives or agents.

“GNMA Certificate” means a mortgage backed security issued by the Lender, guaranteed as to timely payment of principal and interest by GNMA pursuant to the National Housing Act and the regulations under the Indenture, and issued with respect to and backed by the Mortgage Loan.

“GNMA Documents” means any GNMA Certificate, the commitment issued by GNMA to the Lender to guarantee the GNMA Certificate and all other documents, certifications and assurances executed and delivered by the Lender, GNMA or the Borrower in connection with the GNMA Certificate.

“Governing Body” means the Board of Directors of the Issuer.

“Government” shall mean the government of the United States of America, the government of any other nation, any political subdivision of the United States of America or any other nation (including, without limitation, any state, territory, federal district, municipality or possession) and any department, agency or instrumentality thereof; and **“Governmental”** shall mean of, by, or pertaining to any Government.

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

“Holder” or **“Holder of a Bond”** means the Person in whose name a Bond is registered on the Register.

“HUD” means the United States Department of Housing and Urban Development.

“HUD Regulatory Agreement” means the Regulatory Agreement for Insured Multifamily Housing Projects between the Borrower and HUD with respect to the Project, as the same may be supplemented, amended or modified from time to time.

“Indenture” means the Trust Indenture, dated as of May 1, 2019, between the Issuer and the Trustee, as amended or supplemented from time to time.

“Independent” when used with respect to a specified Person means such Person has no specific financial interest direct or indirect in the Borrower or any Affiliate of the Borrower and in the case of an individual is not a director, trustee, officer, partner, member or employee of the Borrower or any Affiliate of the Borrower and in the case of an entity, does not have a partner, director, trustee, officer, partner, member or employee who is a director, trustee, officer or employee of any partner or member of the Borrower or any Affiliate of the Borrower.

“Initial Interest Rate” means ___% per annum.

“Initial Mandatory Tender Date” means May 1, 2021*.

“Initial Remarketing Date” means the Initial Mandatory Tender Date, but only if the conditions for remarketing the Bonds on such date as provided in Section 3.03 of the Indenture are satisfied.

“Interest Payment Date” means (a) May 1 and November 1 of each year beginning November 1, 2019*, (b) each Mandatory Tender Date, (c) the Maturity Date and (d) the date of acceleration of the Bonds. In the case of insufficient funds to pay the purchase price on the Bonds following Mandatory Tender on the Initial Mandatory Tender Date, “Interest Payment Date” also means the first Business Day of each month as provided in the Indenture. In the case of payment of defaulted interest, “Interest Payment Date” also means the date of such payment established pursuant to the Indenture.

“Interest Rate” means the Initial Interest Rate through and including the Initial Mandatory Tender Date, and thereafter the applicable Remarketing Rate.

* Preliminary, subject to change

“Interest Rate for Advances” means the rate per annum which is two percent plus that interest rate published in The Wall Street Journal as the “Prime Rate” or the highest lawful rate, whichever is less.

“Investor Limited Partner” means Pinnacle Bank, a Tennessee banking corporation, and Pinnacle Community Development SLP, Inc., a Tennessee corporation, and their successors and assigns.

“Issuer” means The Health, Educational and Housing Facility Board of the County of Knox, a public nonprofit corporation and an instrumentality of Knox County, Tennessee, or its successor.

“Issuer Documents” means the Financing Documents to which the Issuer is a party.

“Issuer Fees and Expenses” means the Extraordinary Issuer Fees and Expenses as the Issuer has no annual or ongoing fees.

“Land Use Restriction Agreement” means the Land Use Restriction Agreement dated as of May 1, 2019, among the Issuer, the Borrower and the Trustee.

“Lender” means Walker & Dunlop, LLC, a limited liability company organized under the laws of the State of Delaware.

“Letter of Credit” means an irrevocable letter of credit issued by a Bank and authorizing drawings thereunder by the Trustee.

“Loan” means the loan by the Issuer to the Borrower of the proceeds received from the sale of the Bonds.

“Loan Agreement” means the Loan Agreement dated as of May 1, 2019, between the Issuer and the Borrower, and assigned by the Issuer, except for Reserved Rights to the Trustee, as amended or supplemented from time to time.

“Loan Disbursement Procedures Agreement” means the Loan Disbursement Procedures Agreement dated as of May 1, 2019 by and among the Borrower, the Lender, the Trustee, and various other parties, as amended, supplemented or restated from time to time, relating to the financing of Project Costs with proceeds of the Bonds in exchange for Collateral Payments.

“Loan Payments” means the amounts required to be paid by the Borrower in repayment of the Loan pursuant to the provisions of the Note and the Loan Agreement.

“Local Time” means Eastern time (daylight or standard, as applicable) in Knoxville, Tennessee.

“Mandatory Tender” means a tender of Bonds required by the Indenture.

“Mandatory Tender Date” means the latest of (a) the Initial Mandatory Tender Date and (b) if the Bonds Outstanding on the Initial Mandatory Tender Date or on any subsequent Mandatory Tender Date are remarketed pursuant to the Indenture for a Remarketing Period that does not extend to the final maturity of the Bonds, the day after the last day of the Remarketing Period.

“Maturity Date” means May 1, 2022*.

“Moody’s” means Moody’s Investors Service, a Delaware corporation, and its successors and assigns, or if it shall for any reason no longer perform the functions of a securities rating agency, then any other nationally recognized rating agency designated by the Borrower and acceptable to the Trustee and the Remarketing Agent.

* Preliminary, subject to change

“**Mortgage Loan**” means the mortgage loan to be made from the Lender to the Borrower in the principal amount of \$ _____* with respect to the Project, as described and provided for in the FHA Commitment.

“**Mortgage Loan Documents**” means the mortgage, mortgage note, HUD Regulatory Agreement and all other documents required by the Lender and/or HUD in connection with the Mortgage Loan.

“**National Housing Act**” means the National Housing Act of 1937, as amended, and the applicable regulations thereunder.

“**Negative Arbitrage Account**” means the Negative Arbitrage Account of the Bond Fund created in the Indenture.

“**Note**” means the promissory note of the Borrower, dated as of even date with the Bonds initially issued, in the form attached to the Loan Agreement as Exhibit A and in the principal amount of \$11,000,000, evidencing the obligation of the Borrower to make Loan Payments.

“**Opinion of Bond Counsel**” means an opinion of Bond Counsel.

“**Opinion of Counsel**” means an opinion from an attorney or firm of attorneys, acceptable to the Trustee and the Issuer, with experience in the matters to be covered in the opinion.

“**Ordinary Services**” and “**Ordinary Expenses**” mean those services normally rendered, and those expenses, including expenses of counsel, normally incurred, by an issuer or a trustee under instruments similar to the Indenture.

“**Ordinary Trustee Fees and Expenses**” means amounts due to the Trustee for the Ordinary Services and the Ordinary Expenses of the Trustee incurred in connection with its duties under the Indenture.

“**Organizational Documents**” means the Amended and Restated Agreement of Limited Partnership of the Borrower.

“**Outstanding Bonds**,” “Bonds outstanding” or “outstanding” as applied to Bonds mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

- (a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment on or prior to that date;
- (b) Bonds, or the portion thereof, for the payment or purchase for cancellation of which sufficient money has been deposited and credited with the Trustee on or prior to that date for that purpose (whether upon or prior to the maturity of those Bonds);
- (c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and
- (d) Bonds in lieu of which others have been authenticated under Section 2.07 of the Indenture.

“**Permitted Liens**” means liens permitted by FHA.

“**Person**” or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, limited liability companies, public or governmental bodies, other legal entities and natural persons.

“**Plans and Specifications**” means the plans and specifications describing the Project as now prepared and as they may be changed as provided in the Loan Agreement.

“Predecessor Bond” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by the particular Bond. For the purposes of this definition, any Bond authenticated and delivered under the Indenture in lieu of a lost, stolen or destroyed Bond shall, except as otherwise provided in the Indenture, be deemed to evidence the same debt as the lost, stolen or destroyed Bond.

“Project” means the 109-unit residential rental housing project located in Knoxville, Tennessee, known as Clear Springs Apartments.

“Project Costs” means with respect to the Project the cost of all items permitted to be financed under the provisions of the Act the payment of which will not result in a breach, default or other violation of the Tax Agreement.

“Project Fund” means the Project Fund created in the Indenture.

“Project Purposes” means the making of a loan to finance the Project.

“Rating Agency” means any national rating agency then maintaining a rating on the Bonds, and initially means S&P.

“Rating Category” means one of the generic rating categories of the Rating Agency.

“Rebate Amount” means the amount required to be rebated or paid as a yield reduction payment to the United States 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, rebate and yield reduction payment calculations required pursuant to Section 148 of the Code and retained by the Borrower to make the computations and give the directions required pursuant to the Tax Agreement.

“Rebate Analyst Fee” means a fee paid or payable to the Rebate Analyst by the Borrower for each rebate or yield reduction payment calculation pursuant to the Tax Agreement.

“Rebate Fund” means the Rebate Fund created in the Indenture.

“Register” means the books kept and maintained by the Trustee for registration and transfer of Bonds pursuant to the Indenture.

“Regular Record Date” means, with respect to any Bond, the fifteenth day of the calendar month preceding an Interest Payment Date.

“Remarketing Agent” means Raymond James & Associates, Inc. or any successor as Remarketing Agent designated in accordance with the Indenture.

“Remarketing Agent’s Fee” means the fee of the Remarketing Agent for its remarketing services.

“Remarketing Agreement” means the Remarketing Agreement, dated as of May 1, 2019, by and between the Borrower and the Remarketing Agent, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Remarketing Date” means the Initial Remarketing Date and, if the Bonds Outstanding on such date or on any subsequent Remarketing Date are remarketed pursuant to the Indenture for a Remarketing Period that does not extend to the final maturity of the Bonds, the day after the last day of the Remarketing Period.

“Remarketing Expenses” means the costs and expenses, other than Administrative Expenses, incurred by the Trustee and its counsel, the Remarketing Agent and its counsel, the Issuer and its counsel, and Bond Counsel in connection with the remarketing of the Bonds, including bond printing and registration costs, costs of funds

advanced by the Remarketing Agent, registration and filing fees, rating agency fees and other costs and expenses incurred in connection with or properly attributable to the remarketing of Bonds as certified to the Trustee by the Remarketing Agent in writing.

“Remarketing Period” means the period beginning on a Remarketing Date and ending on the last day of the term for which Bonds are remarketed pursuant to the Indenture or the final Maturity Date of the Bonds, as applicable.

“Remarketing Proceeds Account” means the Remarketing Proceeds Account of the Bond Fund created in the Indenture.

“Remarketing Rate” means the interest rate or rates established pursuant to the Indenture and borne by the Bonds then Outstanding from and including each Remarketing Date to, but not including, the next succeeding Remarketing Date or the final Maturity Date of the Bonds, as applicable.

“Reserved Rights” of the Issuer means (a) the right of the Issuer to amounts payable to it pursuant to the Loan Agreement; (b) all rights which the Issuer or its members, directors, officers, officials, agents or employees may have under the Indenture and the Financing Documents to indemnification by the Borrower and by any other persons and to payments for expenses incurred by the Issuer itself, or its members, directors, officers, officials, agents or employees; (c) the right of the Issuer to receive notices, reports or other information, make determinations and grant approvals under the Indenture and under the other Financing Documents; (d) all rights of the Issuer 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 of the Issuer, and set forth in any of the Financing Documents or in any other certificate or agreement executed by the Borrower; (e) all inspection rights of the Issuer; (f) all rights of the Issuer in connection with any amendment to or modification of the Financing Documents; and (g) all enforcement remedies with respect to the foregoing.

“Revenues” means (a) the Loan Payments, (b) the Collateral Payments, (c) all other money received or to be received by the Issuer or the Trustee in respect of repayment of the Loan, including without limitation, all money and investments in the Bond Fund, (d) any money and investments in the Special Funds, and (e) all income and profit from the investment of the foregoing money. The term "Revenues" does not include any money or investments in the Rebate Fund.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and its successors and assigns, or if it shall for any reason no longer perform the functions of a securities rating agency, then any other nationally recognized rating agency designated by the Borrower and acceptable to the Trustee and the Remarketing Agent.

“Special Funds” means, collectively, the Bond Fund and the accounts therein, the Project Fund, the Collateral Fund, and the Rebate Fund, and any accounts therein, all as created in the Indenture.

“Special Record Date” means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest or principal on that Bond.

“State” means the State of Tennessee.

“Supplemental Indenture” means any indenture supplemental to the Indenture entered into between the Issuer and the Trustee in accordance with the Indenture.

“Surplus Cash” has the meaning specified in the HUD Regulatory Agreement.

“Tax Agreement” means the Tax Compliance Certificate and Agreement, dated the Closing Date, by or among the Issuer, the Trustee and the Borrower.

“Tendered Bond” means any Bond which has been tendered for purchase pursuant to a Mandatory Tender.

“Trust Estate” means the property rights, money, securities and other amounts pledged and assigned to the Trustee under the Indenture pursuant to the Granting Clauses of the Indenture, as described under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General” herein.

“Trustee” means U.S. Bank National Association, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter, “Trustee” shall mean the successor Trustee.

“Undelivered Bond” means any Bond that is required under the Indenture to be delivered to the Remarketing Agent or the Trustee for purchase on a Mandatory Tender Date but that has not been received on the date such Bond is required to be so delivered.

“Underwriter” means Raymond James & Associates, Inc.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

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

The following funds and accounts will be established to be held in trust and maintained by the Trustee under the Indenture:

- (a) the Bond Fund, and therein the Negative Arbitrage Account and the Remarketing Proceeds Account (but only at such times as money is to be deposited or held in such Accounts as provided in the Indenture);
- (b) the Project Fund;
- (c) the Costs of Issuance Fund (if funds are deposited therein);
- (d) the Collateral Fund;
- (e) the Rebate Fund; and
- (f) the Expense Fund (if funds are deposited therein).

Each fund and account therein shall be maintained by the Trustee as a separate and distinct trust fund or account to be held, managed, invested, disbursed and administered as provided in the Indenture. All money deposited in the funds and accounts created under the Indenture shall be used solely for the purposes set forth in the Indenture. The Trustee shall keep and maintain adequate records pertaining to each fund and account, and all disbursements therefrom, in accordance with its general practices and procedures in effect from time to time. The Trustee may also terminate funds and accounts that are no longer needed.

The Trustee shall, at the written direction of an Authorized Borrower Representative, and may, in its discretion, establish such additional accounts within any fund, and subaccounts within any of the accounts, as the Issuer or the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from that fund and its accounts, or for the purpose of complying with the requirements of the Code, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of the Indenture with respect to a deposit or use of money in the Special Funds or result in commingling of funds not permitted under the Indenture.

Bond Fund

On the Closing Date, there shall be deposited in the Bond Fund, from the proceeds of the sale of the Bonds, any accrued interest paid with respect to the Bonds, and in the Negative Arbitrage Account of the Bond Fund the initial deposit amount provided in the Indenture. The portion of any Extension Payment received by the Trustee in connection with a remarketing of the Bonds designated for the payment of Bond Service Charges will also be deposited in the Negative Arbitrage Account.

So long as there are any Outstanding Bonds, to the extent the Borrower has not received a credit against Loan Payments due, all Loan Payments under the Loan Agreement are to be paid on or before each Interest Payment Date directly to the Trustee, and deposited in the Bond Fund, in at least the amount necessary to pay the Bond Service Charges due on the Bonds on such Interest Payment Date.

The Bond Fund (and accounts therein for which provision is made in the Indenture) and the money and Eligible Investments therein shall be used solely and exclusively for the payment of Bond Service Charges as they become due.

Bond Service Charges shall be payable, as they become due, in the following order: (a) from money on deposit in the Negative Arbitrage Account of the Bond Fund (but only to pay the interest portion of Bond Service Charges), (b) from the money on deposit in the Bond Fund, other than the Negative Arbitrage Account thereof, (c) from money on deposit in the Collateral Fund and transferred as necessary to the Bond Fund, (d) from money on deposit in the Project Fund and transferred as necessary to the Bond Fund, and (e) from money on deposit in the Negative Arbitrage Account of the Bond Fund (to pay all Bond Service Charges).

Project Fund

Money in the Project Fund shall be disbursed in accordance with the provisions of the Loan Agreement and the Indenture. The Trustee may conclusively rely on any disbursement request received pursuant to the Loan Agreement as to the appropriateness of the expenses specified therein and the sufficiency of such request with respect to the requirements of the Loan Agreement. To the extent money is not otherwise available to the Trustee, including money on deposit in the Bond Fund or the Collateral Fund, the Trustee shall transfer from the Project Fund to the Bond Fund sufficient money to make the necessary interest and principal payments on each Interest Payment Date without further written direction.

The Trustee shall cause to be kept and maintained adequate records pertaining to the Project Fund and all disbursements therefrom. If requested by the Issuer, the Investor Limited Partner or the Borrower, after the Project has been completed and a Completion Certificate is filed as provided in the Indenture, the Trustee shall file copies of the records pertaining to the Project Fund and disbursements therefrom with the Borrower and the Investor Limited Partner. The Trustee shall satisfy this obligation by providing trust statements for all periods in which there are funds in the Project Fund.

Notwithstanding any provision of the Loan Agreement or any other provision of the Indenture to the contrary, the Trustee shall not disburse money from the Project Fund, other than to pay Bond Service Charges on the Bonds, unless and until Collateral Payments or other Eligible Funds in an amount equal to or greater than the requested disbursement amount have been deposited in the Collateral Fund. Prior to making any disbursement (except to the extent necessary to pay Bond Service Charges), the Trustee shall determine that the aggregate principal amount that will be held in (a) the Collateral Fund and (b) the Project Fund, after the anticipated disbursement, is at least equal to the then-Outstanding principal amount of the Bonds.

On the earlier of a Mandatory Tender Date with respect to which the Bonds are not remarketed or the Maturity Date, any money remaining in the Project Fund shall be transferred to the Bond Fund to pay Bond Service Charges on the Bonds.

Upon the occurrence and continuance of an Event of Default under the Indenture because of which the principal amount of the Bonds has been declared to be due and immediately payable, any money remaining in the Project Fund shall be promptly transferred by the Trustee to the Bond Fund.

Collateral Fund

The Trustee shall deposit into the Collateral Fund all Collateral Payments received pursuant to the Loan Agreement and any other Eligible Funds received by the Trustee for deposit into the Collateral Fund. The Loan Agreement requires the Borrower to cause the Lender to make Collateral Payments to the Trustee for deposit into the Collateral Fund in a principal amount equal to, and as a prerequisite to the disbursement of, the amount of Bond proceeds on deposit in the Project Fund to be disbursed by the Trustee to finance Costs of the Project.

The Trustee shall transfer money in the Collateral Fund as follows: (a) on each Bond Payment Date, to the Bond Fund the amount necessary to pay Bond Service Charges on such Bond Payment Date (to the extent money is not otherwise available to the Trustee, including money on deposit in the Bond Fund); (b) on the Mandatory Tender Date to the Bond Fund, the amount necessary to pay the purchase price of the Bonds, to the extent the Bonds are not

remarketed on any Mandatory Tender Date or amounts on deposit in the Remarketing Proceeds Account of the Bond Fund are insufficient therefor; and (c) on Maturity Date of the Bonds, to the Bond Fund the amount necessary to pay all amounts due on the Bonds on such date.

On the earlier of the Maturity Date or any Mandatory Tender Date with respect to which the Bonds are not remarketed, the Trustee shall transfer all amounts then on deposit in the Collateral Fund into the Bond Fund to pay Bond Service Charges on the Bonds.

The Bonds shall not be, and shall not be deemed to be, paid or prepaid by reason of any deposit into the Collateral Fund unless and until the amount on deposit in the Collateral Fund is transferred to the Bond Fund and applied to the payment of the principal of any of the Bonds or the principal component of the tender price of any of the Bonds, all as provided in the Indenture.

Expense Fund

The Trustee shall deposit money received from the Underwriter on the Closing Date into the Expense Fund to provide money to pay the amounts listed below. The portion of any Extension Payment received by the Trustee in connection with an extension of the Mandatory Tender Date designated for the payment of Administrative Expenses shall also be deposited in the Expense Fund. The Trustee shall apply money on deposit in the Expense Fund solely for the following purposes, on the dates specified below, in the following order of priority:

- (a) to transfer money to the Rebate Fund to the extent necessary to pay the Rebate Amount (if any) pursuant to Section 4.09 of the Indenture;
- (b) to pay the Ordinary Trustee's Fees and Expenses when due;
- (c) to pay the Dissemination Agent Fee when due; and
- (d) to pay the Issuer Fees and Expenses not previously paid.

To the extent money in the Expense Fund is not sufficient to pay the foregoing fees and expenses, such deficiency shall be paid by the Borrower pursuant to the Loan Agreement immediately upon written demand.

Tax Agreement and Rebate Fund

(a) The Trustee shall comply with the requirements of the Tax Agreement. Without limiting the generality of the foregoing, the Trustee shall furnish to the Borrower, the Issuer and the Investor Limited Partner all information reasonably requested by the Borrower, the Issuer or the Investor Limited Partner with respect to the Bonds and investments of the Funds and accounts maintained by the Trustee hereunder.

(b) The Trustee shall make deposits to and disbursements from the Rebate Fund (including rebate payments and yield reduction payments to the United States required to be made by the Tax Agreement), as well as investments of the amounts therein, in accordance with the written directions received from the Authorized Borrower Representative pursuant to the Tax Agreement. Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien hereunder.

(c) Notwithstanding any provision of the Indenture to the contrary, the Trustee shall not be liable or responsible for any calculation or determination which may be required in connection with or for the purpose of complying with Section 148 of the Code or any applicable Treasury regulation (the "Arbitrage Rules"), including, without limitation, the calculation of amounts required to be paid to the United States under the provisions of the Arbitrage Rules, the maximum amount which may be invested in "nonpurpose obligations" as defined in the Code and the fair market value of any investment made hereunder, it being understood and agreed that the sole obligation of the Trustee with respect to investments of funds hereunder shall be to invest the moneys received by the Trustee pursuant to the instructions of the Authorized Borrower Representative given in accordance with Section 4.10 of the Indenture. The Trustee shall have no responsibility for determining whether or not the investments made pursuant to the direction of the Authorized Borrower Representative or any of the instructions received by the Trustee under

Section 4.09 of the Indenture comply with the requirements of the Arbitrage Rules and shall have no responsibility for monitoring the obligations of the Borrower or the Issuer for compliance with the provisions of the Indenture with respect to the Arbitrage Rules.

Investment of Special Funds

Except as otherwise described under this heading, money in the Special Funds (other than the Rebate Fund) shall be invested and reinvested by the Trustee in Eligible Investments at the written direction of the Authorized Borrower Representative. At no time shall the Borrower direct that any funds constituting gross proceeds of the Bonds (including, without limitation, moneys deposited in or credited to the Collateral Fund and the Negative Arbitrage Account) be used in any manner as would constitute failure of compliance with Section 148 of the Code.

In the absence of instructions from the Authorized Borrower Representative, the Trustee shall be required to invest in investments described in clause (b) of the definition of Eligible Investments under the Indenture.

Investments of money in the Bond Fund and the Collateral Fund shall mature or be redeemable at the option of the Trustee at the times and in the amounts necessary to provide money to pay Bond Service Charges on the Bonds as they become due on each Bond Payment Date or at stated maturity or a Mandatory Tender. Each investment of money in the Project Fund shall mature or be redeemable at the option of the Trustee at the times and in the amounts as may be necessary to make payments or transfers from the Project Fund as required by the Indenture, including, without limitation any transfer to the Bond Fund for the purpose of paying Bond Service Charges. Any moneys held as a part of the Rebate Fund shall be invested or reinvested by the Trustee, at the direction of the Borrower, in Government Obligations with such maturities as shall be required in order to assure full and timely payment of amounts required to be paid from the Rebate Fund. Any of those investments may be purchased from or sold to the Trustee, or any bank, trust company, securities firm or savings and loan association which is an Affiliate of the Trustee and such entity may charge the customary fee in connection therewith. The Trustee shall sell or redeem investments credited to the Bond Fund to produce sufficient money applicable hereunder to and at the times required for the purposes of paying Bond Service Charges when due as aforesaid, and shall do so without necessity for any order on behalf of the Issuer and without restriction by reason of any order.

An investment made from money credited to the Special Funds shall constitute part of that respective Fund. All investment earnings from amounts on deposit in the Project Fund and the Collateral Fund shall be allocated to the Bond Fund. All gains resulting from the sale of, or income from, any investment made from amounts on deposit in the Special Funds shall be credited to and become part of the Bond Fund. Any investment losses from moneys credit to a Fund shall be charged against the respective Fund. The Trustee shall not be liable for losses on investments made in compliance with the provisions of the Indenture.

Events of Default

The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Indenture:

- (a) Payment of any interest on any Bond shall not be made when and as that interest shall become due and payable;
- (b) Payment of the principal of any Bond shall not be made when and as that principal shall become due and payable, whether at stated maturity, upon acceleration, or otherwise;
- (c) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Bonds, which failure shall have continued for a period of 30 days after written notice, by registered or certified mail, to the Issuer and the Borrower specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of a majority in aggregate principal amount of Bonds then Outstanding; and

(d) The occurrence and continuance of an Event of Default as defined in Section 7.1 of the Loan Agreement.

Upon the occurrence of an Event of Default described in (a) or (b) above, the Trustee may declare, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding the Trustee shall declare, by a notice in writing delivered to the Borrower and the Issuer, the principal of all Bonds then Outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately; provided, however, that the Trustee shall make such declaration only if the Trustee has determined that it will have sufficient funds available to pay the full amount of the principal and accrued but unpaid interest to the Holders of the Bonds as of the date of acceleration. If the Trustee is unable to determine that sufficient funds will be available, the Trustee shall declare the principal of the Bonds immediately due and payable only upon the written direction of a majority of the Holders of the Bonds then outstanding. Upon the occurrence of any Event of Default other than those described in (a) or (b) above, the Trustee may, and upon the written consent of all Holders of Bonds then Outstanding, shall declare by a notice in writing delivered to the Borrower, the principal of all Bonds then Outstanding (if not then due and payable), and the interest thereon, to be due and payable immediately. Upon such declaration, that principal and interest shall become and be due and payable immediately. Interest on the Bonds shall accrue to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration; provided, that interest on any unpaid principal of Bonds Outstanding shall continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those Bonds.

The provisions of the preceding paragraph are subject, however, to the condition that if, at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement hereunder (after an opportunity for hearing by the Issuer and the Borrower),

(a) all sums payable hereunder (except the principal of and interest on Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate borne by the Bonds in respect of which the default shall have occurred, shall have been duly paid or provision shall have been duly made therefor by deposit with the Trustee, and

(b) all existing Events of Default shall have been cured, then and in every case, the Trustee shall waive the Event of Default and its consequences and shall rescind and annul that declaration. No waiver or rescission and annulment shall extend to or affect any subsequent Event of Default or shall impair any rights consequent thereon.

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 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.

Other Remedies; Rights of Holders

Upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy, including without limitation actions at law or equity to enforce the payment of Bond Service Charges or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Loan Agreement, the Land Use Restriction Agreement or the Note or any other instrument providing security, directly or indirectly, for the Bonds. Provided, however, the Bonds are non-recourse to the Borrower and its partners.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by the Holders of at least 50% in aggregate principal amount of Bonds Outstanding, the Trustee shall exercise any rights and powers conferred by the Indenture as described above.

Rights of Holders to Direct Proceedings

The Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right at any time to direct, by an instrument or document in writing executed and delivered to the Trustee, the method and

place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings hereunder; provided, that (a) any direction shall not be other than in accordance with the provisions of law and of the Indenture, (b) the Trustee shall be indemnified as provided in the Indenture, and (c) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction.

Application of Money

If at any time after the occurrence of an Event of Default the money held by the Trustee under the Indenture (other than amounts in the Rebate Fund) shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of remedies provided under the Indenture or otherwise, shall, be applied by the Trustee as set forth below.

After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of money and to all fees of the Trustee for Ordinary and Extraordinary Expenses pursuant to any right given or action taken under the provisions of the Indenture or the provisions of the Loan Agreement, the Land Use Restriction Agreement or the Note (including without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under this section), all money received by the Trustee, shall be applied as follows:

(a) Unless the principal of all of the Bonds shall have become, or shall have been declared to be, due and payable, such money shall be deposited in the Bond Fund and shall be applied:

First – To the payment to the Holders entitled thereto of all installments of interest then due on the Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

Second – To the payment to the Holders entitled thereto of the unpaid principal of any of the Bonds which shall have become due, in the order of their due dates, beginning with the earliest due date, with interest on those Bonds from the respective dates upon which they became due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

(b) If the principal of all of the Bonds shall have become due or shall have been declared to be due and payable pursuant to the Indenture, all of such money shall be deposited into the Bond Fund and shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all of the Bonds shall have been declared to be due and payable pursuant to the Indenture, and if that declaration thereafter shall have been rescinded and annulled, subject to the provisions of the preceding paragraph, in the event that the principal of all of the Bonds shall become due and payable later, the money shall be deposited in the Bond Fund and shall be applied as directed in the Indenture.

(d) Whenever money is to be applied pursuant to the provisions of this section, such money shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of money available for application and the likelihood of additional money becoming available for application in the

future. Whenever the Trustee shall direct the application of such money, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the money is available therefor. The Trustee shall give notice of the deposit with it of any money and of the fixing of that date, all consistent with the requirements of the Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee shall not be required to make payment of principal of a Bond to the Holder thereof, until the Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

Remedies Vested in Trustee

All rights of action (including without limitation, the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining any Holders as plaintiffs or defendants. Any recovery of judgment shall be for the benefit of the Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Rights and Remedies of Holders

A Holder shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust under the Indenture, or for the exercise of any other remedy hereunder, unless:

- (a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, or of which it is deemed to have notice under the Indenture,
- (b) the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee, and
- (c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Holders of the Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indenture by its or their action, or to enforce, except in the manner provided herein, any remedy, right or power hereunder. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided herein for the benefit of the Holders of all Bonds then Outstanding. Nothing in the Indenture shall affect or impair, however, the right of any Holder to enforce the payment of the Bond Service Charges on any Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

Termination of Proceedings

In case the Trustee shall have proceeded to enforce any remedy, right or power under the Indenture in any suit, action or proceedings, and the suit, action or proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as if no suit, action or proceedings had been taken.

Waivers of Events of Default

Except as hereinafter provided, at any time, in its discretion, the Trustee may waive any Event of Default hereunder and its consequences and may rescind and annul any declaration of maturity of principal of or interest on, the Bonds. The Trustee shall do so upon the written request of the Holders of:

- (a) at least a majority in aggregate principal amount of all Bonds then Outstanding in respect of which an Event of Default in the payment of Bond Service Charges exists, or
- (b) at least a majority in aggregate principal amount of all Bonds then Outstanding, in the case of any other Event of Default.

There shall not be so waived, however, any Event of Default described in paragraph (a) or (b) under the heading Events of Default above, or any declaration of acceleration in connection therewith rescinded or annulled, unless at the time of that waiver or rescission and annulment, payments of the amounts provided in the Indenture for waiver and rescission and annulment in connection with acceleration of maturity have been made or provision has been made therefor. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Notwithstanding anything in the Indenture to the contrary, in no event shall the Trustee waive any Event of Default based upon any Reserved Rights without the prior written consent of the Issuer.

Supplemental Indentures Not Requiring Consent of Holders

Without the consent of, or notice to, any of the Holders, the Issuer and the Trustee may enter into indentures supplemental to the Indenture which shall not, in the opinion of the Issuer and the Trustee, be inconsistent with the terms and provisions Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee;
- (c) To assign additional revenues under the Indenture;
- (d) To accept additional security and instruments and documents of further assurance with respect to the Project;
- (e) To add to the covenants, agreements and obligations of the Issuer under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture;
- (f) To evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Loan Agreement and the Bonds;
- (g) To facilitate (i) the transfer of Bonds issued by the Issuer under the Indenture and held in Book Entry Form from one Depository to another and the succession of Depositories, or (ii) the withdrawal of Bonds issued by the Issuer under the Indenture and delivered to a Depository for use in a Book Entry System and the issuance of replacement Bonds in fully registered form and in the form of physical certificates to others than a Depository;
- (h) To permit the Trustee to comply with any obligations imposed upon it by law;

- (i) To specify further the duties and responsibilities of the Trustee;
- (j) To achieve compliance of the Indenture with any applicable federal securities or tax law;
- (k) To obtain and/or maintain the rating on the Bonds;

(l) To make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148 of the Code, if, in the Opinion of Bond Counsel, those amendments would not adversely affect the Federal Tax Status of the Bonds which amendments may, among other things, change the responsibility for making the relevant calculations, provided that in no event shall such amendment delegate to the Trustee, without its consent, in its sole discretion the obligation to make or perform the calculations required under Section 148 of the Code; or

(m) To permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

The provisions of Subsections (h) and (j) above shall not be deemed to constitute a waiver by the Trustee, the Issuer or any Holder of any right which it may have in the absence of those provisions to contest the application of any change in law to the Indenture or the Bonds.

Supplemental Indentures Requiring Consent of Holders

Exclusive of Supplemental Indentures to which reference is made above and subject to the terms, provisions and limitations contained in this section, and not otherwise, with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, evidenced as provided in the Indenture, and with the consent of the Borrower if required, the Issuer and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of the Indenture or any Supplemental Indenture or restricting in any manner the rights of the Holders. Nothing in this section shall permit, however, or be construed as permitting:

(a) without the consent of the Holder of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or

(b) without the consent of the Holders of all Bonds then Outstanding, (i) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (ii) a reduction in the aggregate principal amount of the Bonds required for consent to a Supplemental Indenture.

If the Issuer shall request that the Trustee execute and deliver any Supplemental Indenture for any of the purposes described therein, upon (i) being satisfactorily indemnified with respect to its expenses in connection therewith, and (ii) if required, receipt of the Borrower's consent to the proposed execution and delivery of the Supplemental Indenture, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first-class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the Register at the close of business on the fifteenth day preceding that mailing.

The Trustee shall not be subject to any liability to any Holder by reason of the Trustee's failure to mail, or the failure of any Holder to receive, the notice required by this section. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in this section. The notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Holders.

If the Trustee shall receive, within a period prescribed by the Borrower, of not less than 60 days, but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Trustee does not reasonably object, purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and

specifically shall consent to the Supplemental Indenture in substantially that form), the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Holder, regardless of whether that Holder shall have consented thereto.

Any consent shall be binding upon the Holder of the Bond giving the consent and, anything herein to the contrary notwithstanding, upon any subsequent Holder of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Holder has notice of the consent to the Supplemental Indenture). A consent may be revoked in writing, however, by the Holder who gave the consent or by a subsequent Holder of the Bond by a revocation of such consent received by the Trustee prior to the execution and delivery by the Trustee of the Supplemental Indenture. At any time after the Holders of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Issuer a written statement that the Holders of the required percentage of Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of Bonds Outstanding shall have consented to the Supplemental Indenture, as provided in this section, no Holder shall have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee or the Issuer from that execution or delivery or from taking any action pursuant to the provisions thereof.

Consent of Borrower and Investor Limited Partner

Anything contained herein to the contrary notwithstanding, a Supplemental Indenture executed and delivered in accordance with the Indenture which affects in any material respect any rights or obligations of the Borrower shall not become effective unless and until the Borrower and the Investor Limited Partner shall have consented in writing to the execution and delivery of that Supplemental Indenture.

Release of Indenture

If (a) the Issuer shall pay all of the Outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the Outstanding Bonds, all Bond Service Charges due or to become due thereon, and (b) provision also shall be made for the payment of all other sums payable under the Indenture, or under the Loan Agreement, the Land Use Restriction Agreement and the Note, then the Indenture shall cease, determine and become null and void (except for those provisions surviving by as described below in the event the Bonds are deemed paid and discharged as described below), and the covenants, agreements and obligations of the Issuer hereunder shall be released, discharged and satisfied.

Thereupon, and subject to the provisions of the Indenture described below, if applicable,

(a) the Trustee shall release the Indenture (except for those provisions surviving as described under the heading Survival of Certain Provisions below), and shall execute and deliver to the Issuer any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Issuer, and

(b) the Trustee shall assign and deliver to the Borrower any property subject at the time to the lien of the Indenture which then may be in its possession, except (i) amounts in the Bond Fund required to be held by the Trustee for the payment of Bond Service Charges, as more specifically set forth in the Indenture and (ii) amounts in the Rebate Fund required to be paid to the United States.

Payment and Discharge of Bonds

All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of the Indenture, if:

(a) the Trustee as paying agent shall have received, in trust for and irrevocably committed thereto, sufficient money, or

(b) the Trustee shall have received, in trust for and irrevocably committed thereto, noncallable Government Obligations which are certified by an Independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any money to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided herein), for the payment of all Bond Service Charges on those Bonds at their maturity.

Any money held by the Trustee in accordance with the provisions of this section may be invested by the Trustee only in noncallable Government Obligations having maturity dates, or having redemption dates which, at the option of the Holder of those obligations, shall be not later than the date or dates at which money will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held under this section is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes of this section, that income, interest or increment shall be transferred at the time of that determination in the manner provided in the Indenture for transfers of amounts remaining in the Bond Fund.

If any Bonds shall be deemed paid and discharged pursuant to this section, then within 15 days after such Bonds are so deemed paid and discharged the Trustee shall cause a written notice to be given to each Holder as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and discharged or state that all Bonds are deemed paid and discharged, set forth a description of the obligations held pursuant to subparagraph (b) of the first paragraph of this section.

Survival of Certain Provisions

Notwithstanding the foregoing, any provisions of the Bond Resolution and the Indenture which relate to the maturity of Bonds, interest payments and dates thereof, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of money in trust, repayments to the Borrower from the Bond Fund, the rebate of money or the payment of a yield reduction payment to the United States in accordance with Section 4.09 of the Indenture, and the rights and duties of the Trustee in connection with all of the foregoing shall remain in effect and be binding upon the Trustee and the Holders notwithstanding the release and discharge of the Indenture. The provisions of this section shall survive the release, discharge and satisfaction of the Indenture. The obligations of the Borrower to pay the Trustee its fees and expenses Indenture shall survive the release, discharge and satisfaction of the Indenture, but shall terminate effective automatically upon payment in full by the Borrower of all fees and expenses owed by the Borrower to the Trustee as of the date of termination of the Indenture.

HUD Loan Documents and Regulations Control

In the event of any conflict and to the extent that there is any inconsistency or ambiguity between the provisions of the Indenture and the provisions of the Controlling HUD and GNMA Requirements or the Mortgage Loan Documents, the Controlling HUD and GNMA Requirements and Mortgage Loan Documents will be deemed to be controlling, and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to the terms of the Controlling HUD and GNMA Requirements and Mortgage Loan Documents, as applicable.

Enforcement of the covenants in the Indenture will not result in, and neither the Issuer nor the Trustee has or shall be entitled to assert, any claim against the Project, the Mortgage Loan proceeds, any reserves or deposits required by HUD in connection with the Mortgage Loan transaction, or the rents or deposits or other income of the Project other than available "Surplus Cash" as defined in the HUD Regulatory Agreement.

Failure of the Issuer or the Borrower to comply with any of the covenants set forth in the Indenture will not serve as a basis for default on the Mortgage Loan, the underlying mortgage, or any of the other Mortgage Loan Documents.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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

The Loan

The Issuer agrees, upon the terms and conditions of the Loan Agreement, to finance the Loan to the Borrower with the proceeds received by the Issuer from the sale of the Bonds by causing such proceeds to be deposited with the Trustee for disposition as provided in the Indenture. The obligation of the Issuer to finance the Loan shall be deemed fully discharged upon the deposit of the proceeds of the Bonds with the Trustee. The Loan shall be evidenced by the Note.

Mortgage Loan to Borrower

To provide and secure funds for the repayment of the Loan, and to provide for the delivery of the Collateral Payments, the Borrower shall simultaneously with the execution and delivery of the Indenture, proceed with obtaining the Mortgage Loan from the Lender and entering into the Loan Disbursement Procedures Agreement with the Lender and the Trustee. In particular, the Borrower will promptly take all necessary actions on its part to close the Mortgage Loan and satisfy all other terms and conditions of the FHA Commitment and the requirements of the Lender.

Disbursements from the Project Fund

Subject to the provisions below and so long as no Event of Default hereunder has occurred and is continuing for which the principal amount of the Bonds has been declared to be immediately due and payable pursuant to the Loan Agreement or the Indenture, disbursements from the Project Fund shall be made only to finance Project Costs by disbursing amounts to the Lender.

Any disbursements from the Project Fund to finance Project Costs shall be made by the Trustee only upon the receipt by the Trustee of: (a) a disbursement request in the form attached to the Loan Agreement; and (b) Collateral Payments in an amount equal to the amount of any such disbursement request for deposit in the Collateral Fund as provided in the Indenture and the Loan Agreement. The Borrower acknowledges and agrees that it shall submit disbursement requests to the Trustee no more frequently than once each calendar month.

The Borrower's right to request disbursements for the Project Fund is limited to the principal amount of the Loan, which may be less than the principal amount of the Mortgage Loan.

Any money in the Project Fund remaining after the Completion Date and payment, or provision for payment, in full of the Project Costs, at the direction of the Authorized Borrower Representative, promptly shall be paid into the Bond Fund for payment of Bond Service Charges provided the Borrower obtains an opinion of Bond Counsel that such deposit will not adversely affect the Federal Tax Status of the Bonds.

Notwithstanding any provision of the Loan Agreement or any provision of the Indenture to the contrary, the Trustee shall not disburse funds from the Project Fund unless and until the Trustee confirms that Eligible Funds in the Collateral Fund plus Eligible Funds in the Project Fund, less the amount of the requested disbursement from the Project Fund, is at least equal to the then-outstanding principal amount of the Bonds.

Borrower Required to Pay Costs in Event Project Fund Insufficient

If money in the Project Fund is not sufficient to pay all Project Costs, the Borrower, nonetheless, will complete the Project in accordance with the Plans and Specifications, as modified with the approval of its appropriate parties, and shall pay all such additional Project Costs from its own funds. The Borrower shall pay all Costs of Issuance the Bonds in excess of the amounts deposited in the Costs of Issuance Fund. The Borrower shall not be entitled to any reimbursement for any such additional Project Costs or payment of Costs of Issuance from the Issuer, the Trustee or any Holder; nor shall it be entitled to any abatement, diminution or postponement of the any Loan Payments or other amounts to be paid under the Loan Agreement.

Completion Date

The Borrower shall notify the Issuer and the Trustee of the Completion Date by the delivery of a Completion Certificate signed by the Authorized Borrower Representative substantially in the form attached to the Loan Agreement. The Completion Certificate shall be delivered as promptly as practicable after the occurrence of the events and conditions referred to in paragraphs (a) and (b) of the Completion Certificate.

Loan Repayment; Delivery of Note

In consideration of and in repayment of the Loan, the Borrower shall deliver or cause to be delivered to the Trustee on or before each Bond Payment Date, a Loan Payment, equal to the amount necessary to pay Bond Service Charges due on such Bond Payment Date. All such Loan Payments shall be paid to the Trustee in accordance with the terms of the Note for the account of the Issuer and shall be held and disbursed in accordance with the provisions of the Indenture and the Loan Agreement.

The Borrower shall be entitled to a credit against the Loan Payments required to be made with respect to the Bonds on any date equal to available money in the Bond Fund or money transferred thereto from the Collateral Fund or the Project Fund for the payment of Bond Service Charges on that date.

To secure the Borrower's performance of its obligations under the Loan Agreement, the Borrower shall execute and deliver, concurrently with the issuance and delivery of the Bonds, the Note and the Land Use Restriction Agreement.

The Note shall secure equally and ratably all Outstanding Bonds, except that, so long as no Event of Default has occurred and is continuing under the Loan Agreement, payments by the Borrower on the Note shall be used by the Trustee to make a like payment of Bond Service Charges and shall constitute Loan Payments.

Upon payment in full, in accordance with the Indenture, of the Bond Service Charges on any or all Bonds, whether at maturity or otherwise, or upon provision for the payment thereof having been made in accordance with the provisions of the Indenture, (a) the Note shall be deemed fully paid, the obligations of the Borrower thereunder shall be terminated, and the Note shall be surrendered by the Trustee to the Borrower, and shall be canceled by the Borrower, or (b) an appropriate notation shall be endorsed thereon evidencing the date and amount of the principal payment (or prepayment) equal to the Bonds so paid, or with respect to which provision for payment has been made, and that Note shall be surrendered by the Trustee to the Borrower for cancellation if all Bonds shall have been paid (or provision made therefor) and canceled as aforesaid. Unless the Borrower is entitled to a credit under express terms of the Loan Agreement or the Note, all payments on the Note shall be in the full amount required thereunder.

Collateral Payments

In consideration of and as a condition to the disbursement of Bond proceeds in the Project Fund to finance Costs of the Project, and to secure the Borrower's obligation to make Loan Payments, the Borrower shall direct the Lender, pursuant to the terms of the Loan Disbursement Procedures Agreement, to deliver or cause to be delivered to the Trustee not later than 10:00 a.m., Local Time, on the date of each such disbursement, Collateral Payments equal to the amount of the proposed disbursement. All such Collateral Payments shall be paid to the Trustee for the

account of the Issuer and shall be held in the Collateral Fund and disbursed in accordance with the provisions of the Indenture.

Notwithstanding any provisions to the contrary, upon receipt of a Collateral Payment from Lender, the Trustee shall be unconditionally and irrevocably obligated to promptly disburse funds in the same amount from the Project Fund in accordance with the applicable requisition, but the Trustee shall only be obligated to make such a disbursement to the extent of the amount of proceeds of the Bonds remaining in the Project Fund, and if the Trustee received a Collateral Payment in excess of the available amount, the Trustee shall promptly return the excess to the Lender.

Additional Payments

The Borrower shall pay as Additional Payments under the Loan Agreement the following:

- (a) Whether out of the proceeds of the Mortgage Loan or other funds, all Costs of Issuance of the Bonds, the costs of obtaining the FHA Insurance and all expenses incurred in closing the Mortgage Loan.
- (b) All Extension Payments and other sums required under the Indenture in order to revise or extend the Mandatory Tender Date or remarket the Bonds, and the Borrower further agrees to execute any and all certificates required by the Issuer, the Trustee or the Remarketing Agent in order to effectuate such revision, extension or remarketing.
- (c) To the Trustee, (i) the Ordinary Trustee Fees and Expenses to the extent that the funds available in the Expense Fund for the payment thereof are not sufficient and available therefor and (ii) the Extraordinary Trustee Fees and Expenses.
- (d) To the Issuer the Extraordinary Issuer's Fees and Expenses.
- (e) All costs of printing any replacement Bonds required to be issued under the Indenture to the extent such costs are not paid by the Holders.
- (f) To the extent not paid by the Trustee from the Expense Fund, all of the fees and expenses of the Rebate Analyst (including, but not limited to, the Rebate Analyst Fee) and any other necessary consultant employed by the Borrower, the Trustee or the Issuer in connection with any of the requirements imposed by Section 4.09 of the Indenture and the Tax Agreement to the extent funds available under the Indenture are not sufficient and applied therefor. The Borrower shall provide or cause to be provided all information and money (including money necessary to make deposits into the Rebate Fund required by the Indenture and the Tax Agreement and the fees and expenses of the Rebate Analyst to the extent available money in the Bond Fund under the Indenture are inadequate to pay such amounts) to the Trustee and the Rebate Analyst to enable the Trustee and the Rebate Analyst to comply with the Indenture and the Tax Agreement.
- (g) To the Dissemination Agent, the Dissemination Agent Fee, to the extent funds available in the Expense Fund under the Indenture are not sufficient and applied therefor, as well as any other costs and expenses in order to provide for compliance with the terms of the Continuing Disclosure Agreement.
- (h) To the Remarketing Agent, the Remarketing Agent Fee and any Remarketing Expenses.

In the event the Borrower is in default under any provision of any of the Borrower Documents and such default is not cured after the expiration of all applicable notice and cure provisions, the Borrower shall be liable to, and upon demand shall pay to, the Issuer, the Trustee and the Lender all reasonable fees and disbursements of such persons and their agents (including attorneys' fees and expenses) which are reasonably connected therewith or incidental thereto except to the extent such fees and disbursements are paid from money available therefor under the Indenture.

To provide for certain of the anticipated Additional Payments, the Borrower agrees to cause to be deposited a portion of the Initial Borrower Contribution into the Costs of Issuance Fund and the Expense Fund as required under the Indenture, and authorizes the Trustee to pay, from money on deposit in the Costs of Issuance Fund and the Expense Fund, the amounts provided to be paid from the Costs of Issuance Fund and the Expense Fund in accordance with the Indenture. All such amounts shall be paid directly to the parties entitled thereto for their own account as and when such amounts become due and payable.

Upon the payment, prepayment, or incurrence of any such cost, expense, or liability described in this section by any such party, the Additional Payments in respect thereof shall be payable upon written demand to the Borrower, which demand shall be accompanied by invoices or other appropriate documentation concerning the nature, amount and incurrence of such cost, expense or liability. If the Additional Payments payable under this section are not paid upon such demand, such Additional Payments shall bear interest from the date of such payment or the incurrence thereof until the amount due shall have been fully paid.

Except as otherwise provided in the Loan Agreement, the obligations of the Borrower described above shall survive the termination of the Loan Agreement and the payment and performance of all of the other obligations of the Borrower hereunder and under the other Borrower Documents. The payment obligations of the Borrower are non-recourse to the Borrower and its partners as provided for in Section 8.6 of the Loan Agreement.

The Bonds are not subject to optional redemption prior to maturity.

Borrower's Obligations Upon Tender of Bonds

If any Tendered Bond is not remarketed on any Mandatory Tender Date and a sufficient amount is not available in the Collateral Fund and the Project Fund as provided in the Indenture for the purpose of paying the purchase price of such Bond, the Borrower will cause to be paid to the Trustee by the applicable times provided in the Indenture, an amount equal to the amount by which the principal amount of all Bonds tendered and not remarketed, together with interest accrued to the Mandatory Tender Date, exceeds the amount otherwise available pursuant to the Indenture.

Option to Terminate

The Borrower shall have the option to cancel or terminate the Loan Agreement at any time when (a) the Indenture shall have been released in accordance with its provisions, and (b) sufficient money or security acceptable to the Issuer and the Trustee are on deposit with the Trustee or the Issuer, or both, to meet all Loan Payments and Additional Payments due or to become due through the date on which the last of the Bonds is then scheduled to be retired or redeemed, or, with respect to Additional Payments to become due, provisions satisfactory to the Trustee and the Issuer are made for paying such amounts as they come due. Such option shall be exercised by the Authorized Borrower Representative, on behalf of the Borrower, giving the Issuer and the Trustee five days' notice in writing of such cancellation or termination and such cancellation or termination shall become effective at the end of such notice period. The provisions of this section shall not be deemed to permit a prepayment of the Note other than in accordance with its terms.

Events of Default

Each of the following shall be an Event of Default:

(a) The Borrower shall fail to pay any Loan Payment on or prior to the date on which that Loan Payment is due and payable to the extent amounts on deposit in the Bond Fund, including amounts transferred from the Collateral Fund and the Project Fund are insufficient to pay the Bond Service Charges due on the next Bond Payment Date;

(b) The Borrower shall fail to observe and perform any other agreement, term or condition contained in the Loan Agreement and the continuation of such failure for a period of 30 days after written notice thereof shall have been given to the Borrower by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that if the failure is other than the payment

of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within 180 days after the aforementioned notice;

(c) The Borrower shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as now or hereafter in effect, which is not dismissed within 90 days; (iii) commence a proceeding under any other federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for ninety days; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for it or for the whole or any substantial part of its property which appointment is not vacated within a period of 90 days;

(d) Any representation or warranty made by the Borrower herein or any statement in any report, certificate, financial statement or other instrument furnished in connection with the Loan Agreement or with the purchase of the Bonds shall at any time prove to have been false or misleading in any adverse material respect when made or given;

(e) There shall occur an "Event of Default" as defined in the Indenture or the Land Use Restriction Agreement; and

(f) There shall occur a default under the Land Use Restriction Agreement that is continuing after any applicable notice and cure period.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Borrower is unable to perform or observe any agreement, term or condition of the Indenture which would give rise to an Event of Default under subsection (b) hereof, the Borrower shall not be deemed in default during the continuance of such inability. However, the Borrower shall promptly give notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use commercially reasonable efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term Force Majeure shall mean, without limitation, the following:

(1) acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or

(2) any cause, circumstance or event not reasonably within the control of the Borrower.

The declaration of an Event of Default under subsection (c) above, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Remedies on Default

Whenever an Event of Default shall have happened and be continuing, any one or more of the following remedial steps may be taken:

(a) If acceleration of the principal amount of the Bonds has been declared pursuant to the Indenture, the Trustee shall declare all Loan Payments to be due and payable together until any other

amounts payable by the Borrower under the Loan Agreement and the Note whereupon the same shall become immediately due and payable;

(b) The Trustee may exercise any or all or any combination of the remedies specified in the Loan Agreement;

(c) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Borrower pertaining to the Project; or

(d) The Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the Loan Agreement and the Land Use Restriction Agreement and the Note or to enforce the performance and observance of any other obligation or agreement of the Borrower under those instruments.

Notwithstanding the foregoing, the Issuer shall not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until satisfactory indemnity has been furnished to the Issuer at no cost or expense to the Issuer or the Trustee. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken under this section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the Outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 4.14 of the Indenture for transfers of remaining amounts in the Bond Fund.

The provisions described above are subject to the further limitation that the rescission by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute an annulment of any corresponding declaration made pursuant to paragraph (a) above and a waiver and rescission of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

No Remedy Exclusive

No remedy conferred upon or reserved to the Issuer or the Trustee by the Loan Agreement 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 Loan Agreement, the Land Use Restriction Agreement or the Note, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right and 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 the Loan Agreement, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made in the Loan Agreement.

No Waiver

No failure by the Issuer or the Trustee to insist upon the strict performance by the Borrower of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Borrower to observe or comply with any provision of the Loan Agreement.

Mortgage Loan Documents and Regulations Control

In the event of any conflict and to the extent that there is any inconsistency or ambiguity between the provisions of the Loan Agreement and the provisions of the Controlling HUD and GNMA Requirements or the Mortgage Loan Documents, the Controlling HUD and GNMA Requirements and Mortgage Loan Documents will be deemed to be controlling, and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to the terms of the Controlling HUD and GNMA Requirements and Mortgage Loan Documents, as applicable.

Enforcement of the covenants in the Loan Agreement will not result in, and neither the Issuer nor the Trustee has or shall be entitled to assert, any claim against the Project, the Mortgage Loan proceeds, any reserves or deposits required by HUD in connection with the Mortgage Loan transaction, or the rents or deposits or other income of the Project other than available "Surplus Cash" as defined in the HUD Regulatory Agreement.

Failure of the Issuer or the Borrower to comply with any of the covenants set forth in the Loan Agreement will not serve as a basis for default on the Mortgage Loan, the underlying Mortgage, or any of the other Mortgage Loan Documents.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT

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

Definitions

"*Adjusted Income*" means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed pursuant to Section 142(d) of the Code as it shall be in effect on the Closing Date.

"*Affiliated Party*" means a limited or general partner or member of the Borrower, a person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or a person who, together with the Borrower, is a member 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*" shall mean, as of any date as of which determined, 60% or less of area median gross income as most recently determined pursuant to Section 142(d)(2)(B) of the Code.

"*Area*" shall mean the geographic area with respect to which the Applicable Income Limit is determined pursuant to Section 142(d)(2)(B) of the Code.

"*Available Units*" means Units in the Project that are actually occupied and 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 Unit that is unoccupied on the later of (i) the date the Project is acquired or (ii) the issue date of the 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 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.

"*Bondholder*" or "*holder*" or "*owner*" means, when used with respect to the Bonds, the owner of a Bond then outstanding under the Indenture as shown on the registration books maintained by the Trustee pursuant to the Indenture.

"*Certificate of Continuing Compliance*" means the Certificate of Continuing Program Compliance to be filed quarterly by the Borrower with the Trustee at the times specified in clause (d) of the first paragraph of Section 4 of the Land Use Restriction Agreement, such report to contain the information set forth in and to be in substantially the form attached to the Land Use Restriction Agreement.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Costs of Issuance*" means costs of issuing the Bonds as defined in the Indenture.

"*Determination of Taxability*" shall mean either (a) receipt by the Trustee of an Opinion of Bond Counsel to the effect that an Event of Taxability has occurred with respect to the Bonds, or (b) receipt of a written notice by the Trustee from any Bondholder or the Commissioner or any District Director of Internal Revenue that the Internal Revenue Service has issued a written notice of deficiency, proposed notice of deficiency or assessment by the Commissioner or any District Director of Internal Revenue asserting that the interest paid or payable on any Bond to any person is or was includable in the gross income of the holder thereof for federal income tax purposes under Section 103 of the Code provided that during any Bond Coupon Rate Period, no Determination of Taxability shall be deemed to have occurred under subparagraph (b) of this definition unless the Borrower has been afforded the reasonable opportunity to contest any such notice of deficiency or assessment and no Determination of Taxability

shall occur until such contest by the Borrower, if made, has been finally determined (with no further right of appeal); provided that unless such final determination shall be obtained within two years of the receipt of such notice or assessment, a Determination of Taxability shall be deemed to occur unless, prior to the end of such two year period and prior to the end of each subsequent year in which a contest continues, the Trustee shall have received an Opinion of Bond Counsel to the effect that the interest on the Bonds is not includable in the gross income of any Holder or former Holder for federal income tax purposes.

"Dwelling Units" means the units of multi-family residential rental housing comprising the Project.

"Functionally Related and Subordinate" means and includes facilities for use by tenants, for example, laundry facilities, parking areas and recreational facilities, provided that the same are of a character and size commensurate with the character and size of the Project.

"Housing Act" means the United States Housing Act of 1937, as amended, or its successor.

"Income Certification" means a Verification of Income in the form attached to the Land Use Restriction Agreement.

"Issuer Loan" means the loan made by the Issuer to the Borrower of the Bond proceeds for the purpose of financing the acquisition, rehabilitation and equipping of the Project evidenced by the Loan Agreement.

"Low Income Tenant" means a tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of lower income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as lower income shall be 60% of median gross income for the Area with adjustments for family size. If all the occupants of a unit are students (as defined under Section 151(c) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Low Income Tenants. The determination of a tenant's status as a Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such Tenant and annually thereafter and at any time the Borrower has knowledge that the number of occupants in that unit has increased, on the basis of an Income Certification executed by the tenant. Section 7872(g) of the Code shall not apply in determining the income of individuals for purposes of this paragraph.

"Low Income Units" means the units in the Project required to be rented to, or held available for occupancy by, Low Income Tenants pursuant to Section 4(b) hereof.

"Project" means the Project Facilities and the Project Site.

"Project Facilities" means the buildings, structures and other improvements on the Project Site to be constructed and/or improved by the Borrower, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Project.

"Project Site" means the parcel or parcels of real property described in Exhibit A to the Land Use Restriction Agreement, and all rights and appurtenances thereunto appertaining.

"Qualified Project Period" means the period beginning on the first day on which 10% of the units in the Project were first occupied and ending on the latest of (a) the date which is 15 years after the date on which fifty percent (50%) of the units were first occupied, or (b) the first date on which no tax-exempt private activity bond (as that phrase is used in Section 142(d)(2) of the Code) issued with respect to the Project, including the Bonds, is outstanding or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates.

"Regulations" means the Income Tax Regulations promulgated or proposed (if deemed appropriate in the opinion of Bond Counsel) by the Department of the Treasury pursuant to the Code from time to time.

"Tax-exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes (other than interest on

any Bond for any period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person," as such terms are used in Section 147(a) of the Code); provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

"Unit" shall mean a "unit," as defined in 26 C.F.R. § 1.103-8(b)(8), comprising a portion of any of the Project rented or held available for rental to tenants.

Residential Rental Property

Pursuant to the Land Use Restriction Agreement, the Borrower acknowledges and agrees that the Project will be owned, managed and operated as a "qualified residential rental project" (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of the Land Use Restriction Agreement, the Borrower represents, covenants, warrants and agrees as follows:

(a) The Project has been developed for the purpose of providing multi-family residential rental property, and the Borrower owns (for federal tax purposes), manages and operates the Project and will continue to operate the Project as a project to provide multi-family residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with Section 142(d) of the Code and Section 1.103-8(b) of the Regulations and the Act, as the same shall be amended from time to time, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the Dwelling Units in the Project are similarly constructed units, and each Dwelling Unit in the Project will be separate and distinct from every other Dwelling Unit and contains complete facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range (or a multiple-burner cooktop and a convection microwave oven), a sink and a refrigerator.

(c) None of the Dwelling Units in the Project will at any time be utilized on a transient basis; none of the Dwelling Units in the Project have been or will be leased or rented for a period of less than six months; and neither the Project nor any portion thereof have been or will be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, trailer park, trailer court, mobile home park, or recreational vehicle park or by a cooperative housing corporation (as defined in section 216(b)(1) of the Code).

(d) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses.

(e) Each Dwelling Unit will be available for rental on a continuous basis to members of the general public on a nontransient basis, and the Borrower has not and will not give preference to any particular class or group (other than the elderly) in renting the Dwelling Units in the Project, except to the extent that Dwelling Units are required to be leased or rented to Low Income Tenants.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities comprise a single geographically and functionally integrated project for residential rental property, which have similarly constructed units financed pursuant to a common plan, together with functionally related and subordinate facilities which shall be owned (for federal tax purposes) by the Borrower or a Related Person as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more Dwelling Units, this subsection shall not be construed to prohibit occupancy of not more than one dwelling unit by one or more resident managers or maintenance personnel any of whom may be the Borrower.

(h) The Borrower shall not discriminate on the basis of race, religion, creed, color, ethnic group identification, sex, source of income (e.g., AFDC, SSI), mental or physical disability, national origin or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

(i) The Borrower will accept as tenants, on the same basis as all other prospective tenants, persons who are holders of vouchers or certificates for federal housing assistance payments for existing housing pursuant to Section 8 of the Housing Act ("Section 8") or a successor federal program, and, in connection therewith, the Borrower has not and will not apply tenant selection criteria to such voucher or certificate holders which are more burdensome than the criteria applied to any other prospective tenants.

(j) The Borrower will not discriminate against prospective tenants on the basis of their receipt of, or eligibility for, housing assistance under any federal, state or local program or on the basis that they have a minor child or children living with them.

Low Income Tenants; Records and Reports

Pursuant to the requirements of the Code, the Borrower represents, warrants and covenants as follows:

(a) The Borrower recognizes that the Qualified Project Period begins on _____, 20__.

(b) The Borrower will rent on a continuous basis to Low Income Tenants at least 40% of the Available Units in the Project; provided, however, that, as provided in Section 142(d)(3)(B) of the Code, any Available Unit occupied by a Low Income Tenant at the commencement of occupancy shall continue to be treated as if occupied by a Low Income Tenant during tenancy of such Available Unit by such Low Income Tenant even though such Low Income Tenant may subsequently cease to be a Low Income Tenant, so long as the Adjusted Income of such Low Income Tenant as of the most recent certification pursuant to subsection (c) below does not exceed 140% of the Applicable Income Limit as of such certification. In the event that the Adjusted Income of a Low Income Tenant shall exceed 140% of such Applicable Income Limit, if (treating such tenant as if it were not a Low Income Tenant) less than 40% of the Available Units in the Project are occupied by Low Income Tenants, the Borrower shall rent the next Available Unit in the Project of comparable or smaller size to a Low Income Tenant (provided, however, that any Available Unit in the Project of a larger size may be rented to a tenant who is not a Low Income Tenant if such Available Unit was previously occupied by such a tenant) and, upon renting such Available Unit to such Low Income Tenant, the Borrower shall make a new certification pursuant to subsection (c). In addition, any Available Unit vacated by a Low Income Tenant shall be treated as being occupied by such vacating Low Income Tenant until reoccupied by another tenant (other than occupancy for 31 days or less) at which time the character of the Available Unit shall be redetermined, provided that reasonable attempts are made to rent the Available Unit and no other Available Units of comparable or smaller size in the Project are rented to a tenant who is not a Low Income Tenant before such Available Unit is rented. Notwithstanding the foregoing, unless more than 90 percent of the Units in the Project are not Available Units at any time within 60 days after the later of (i) the date the Project is acquired by the Borrower or (ii) the issue date of the Bonds, for a period of 12 months beginning on the issue date of the Bonds (the "Transition Period"), the failure to satisfy the requirements described above will not cause the Project to not be a qualified residential rental project (as defined in the Code), provided, in any event, the Borrower shall satisfy the Low Income Tenant requirements described above no later than the end of such Transition Period.

(c) The Borrower will obtain, complete, and maintain on file Income Certifications from each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant in the Project and (ii) thereafter, annual Income Certifications which must be filed no later than each February 1. The Borrower will obtain such additional information as may be required in the future by the Issuer and by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are Tax-exempt under Section 142(d) of the Code. A rent roll showing the Low Income Tenants in the Project, their most recent certified incomes and their unit numbers together with, if requested by the Trustee, a copy of the most recent Income Certification for Low Income Tenants commencing or continuing occupation of a Low and Moderate Income Unit (and not previously filed with the Trustee) shall be attached to the

Certificate of Continuing Compliance which is to be filed with the Trustee no later than the fifteenth (15th) day of the first month of each calendar quarter following the date hereof, until the end of the Qualified Project Period. The Borrower shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps as part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the two most recent tax years, (3) conduct a TRW or similar search or (4) contact the applicant's current employer.

(d) The Borrower will maintain complete and accurate records pertaining to the Low Income Units and will with reasonable notice permit any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(e) On or before each January 15 during the Qualified Project Period the Borrower has and will submit to the Trustee a draft of the completed Internal Revenue Code Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the requirements of Section 142(d) of the Code. On or before each February 1 during the Qualified Project Period the Borrower will submit such completed form to the Secretary of the Treasury.

(f) Each lease or rental agreement pertaining to a Low Income Unit shall contain a provision to the effect that the Borrower has relied on the income certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement. Each such lease or rental agreement shall also provide that the tenant's income is subject to annual certification in accordance with Section 4(c) hereof and to recertification if the number of occupants in the units increases.

(g) At the request of the Borrower, the Issuer elects that the requirements of subparagraph (B) of Section 142(d)(1) of the Code (the "40-60 Test") be applied to the Project.

Tax-exempt Status of the Bonds

The Borrower makes the following representations, warranties and agreements for the benefit of the holders of the Bonds from time to time:

(a) The Borrower will not take or permit actions within its control, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-exempt nature of the interest on the Bonds and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take any lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Borrower will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee, with a copy to the Borrower, to comply fully with all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations the interest on which is Tax-exempt under Section 142(d) of the Code.

(c) The Borrower will file or record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee, with a copy to the Borrower, in order to ensure that the requirements and restrictions of the Land Use Restriction Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Land Use Restriction Agreement in the land records of the Register's Office of Knox County, Tennessee.

(d) The Borrower will not enter into any agreements which would result in the payment of principal or interest on the Bonds being "federally guaranteed" within the meaning of Section 149(b) of the Code.

Sale or Transfer of the Project

Except for a transfer of the Project pursuant to a foreclosure or a deed in lieu of foreclosure or a similar event where the Land Use Restriction Agreement terminates pursuant to the provisions of Section 10(c) thereof, the Borrower covenants and agrees that the Borrower will cause or require as a condition precedent to any conveyance, transfer, assignment or any other disposition of the Project prior to the termination of the Qualified Project Period provided herein (the "Transfer") that the transferee of the Project, pursuant to the Transfer, assume in writing, in a form acceptable to the Issuer and the Trustee, all duties and obligations of the Borrower under the Land Use Restriction Agreement, including this Section 9 thereof in the event of a subsequent Transfer by the transferee prior to expiration of the Qualified Project Period provided therein (the "Assumption Agreement"). The Borrower shall deliver the Assumption Agreement to the Issuer prior to the Transfer. No Transfer shall operate to release the Borrower from its obligations under the Land Use Restriction Agreement, arising before the date of the Transfer.

Term

The Land Use Restriction Agreement and all and each of the provisions thereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the periods provided therein and, except as otherwise provided in this section, shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions thereof are intended to survive the retirement of the Bonds, discharge of the Issuer Loan and termination of the Indenture and the Loan Agreement.

The terms of the Land Use Restriction Agreement to the contrary notwithstanding, the requirements set forth therein shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Land Use Restriction Agreement caused by fire, seizure, requisition, foreclosure or transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions thereof, or condemnation or a similar event, but only if, within a reasonable period thereafter, either the portion of the Bonds attributable to the Project is retired or amounts received as a consequence of such event are used to provide a project which meets the requirements of the Code set forth in the Land Use Restriction Agreement. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any related person (within the meaning of Section 147(a)(2) of the Code) obtains an ownership interest in the Project for tax purposes; provided, however, that any reinstatement of such provisions shall only be in effect during any period of time such Borrower or related person holds such ownership interest. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any related person as described above (other than a limited partner of the Borrower or any related person (within the meaning of Section 147(a)(2) of the Code) to such limited partner that is otherwise subject to the immediately preceding sentence) will obtain an ownership interest in the Project for tax purposes.

Default; Enforcement

If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Land Use Restriction Agreement, and if such default remains uncured for a period of 30 days after written notice thereof shall have been given by the Issuer or the Trustee to the Borrower, then the Trustee shall declare an "Event of Default" to have occurred thereunder provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 30 days, such default shall not constitute an Event of Default thereunder so long as (i) the Borrower institutes corrective action within said 30 days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Bond Counsel, the failure to cure said default within 30 days will not adversely affect the Tax-exempt status of interest on the Bonds.

Following the declaration of an Event of Default thereunder, the Trustee may, at its option and subject to the provisions of the Indenture, take any one or more of the following steps:

(i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants thereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee thereunder;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project; and

(iii) enforce the obligations, covenants and agreements of the Borrower thereunder by an action for specific performance.

The Trustee shall have the right, in accordance with the Land Use Restriction Agreement and the provisions of the Indenture, subject to such consent, approval or knowledge of the Issuer or other third parties as the Indenture may require, to exercise any or all of the rights or remedies of the Issuer under the Land Use Restriction Agreement, provided that prior to taking any such act the Trustee shall give the Issuer written notice of its intended action.

After the Indenture has been discharged, the Issuer may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Trustee.

HUD Required Provisions

The Land Use Restriction Agreement is made subject to the following provisions which are required by the U.S. Secretary of Housing and Urban Development ("HUD") as a condition to issuing mortgage insurance on a Deed of Trust Note from the Borrower to the Lender that is secured by a Deed of Trust on the Project and that is subject to the terms and conditions of a Regulatory Agreement between the Borrower and HUD:

(a) Notwithstanding anything in the Land Use Restriction Agreement to the contrary, except the requirements in 26 U.S.C. Section 42(h)(6)(E)(1), the provisions thereof are expressly subordinate to the HUD insured Deed of Trust, to the HUD Regulatory Agreement and subordinate to all applicable HUD mortgage insurance and Section 8 regulations and related administrative requirements. In the event of any conflict between the provisions of the Land Use Restriction Agreement and the provisions of any applicable HUD regulations, related HUD administrative requirements or HUD/FHA loan documents, the HUD regulations, related administrative requirements or loan documents shall control.

(b) In the event of foreclosure or transfer of title by deed in lieu of foreclosure, any and all land use covenants contained in the Land Use Restriction Agreement shall automatically terminate.

(c) Failure to comply with the land-use covenants contained in the Land Use Restriction Agreement will not serve as a basis for default on the HUD insured mortgage.

(d) Enforcement of the covenants in the Land Use Restriction Agreement will not result in any claim against the Project, any reserve or deposit required by HUD in connection with the mortgage transaction or the rents or other income from the property other than:

(i) Available surplus cash, if the mortgage is profit-motivated;

(ii) Available distributions and residual receipts authorized for release by HUD, if the mortgage is limited distribution; or

(iii) Available residual receipts authorized by HUD, if the mortgagor is non-profit.

(e) Any subsequent amendment to the Land Use Restriction Agreement is subject to prior HUD approval.

(f) No action shall be taken in accordance with the rights granted in the Land Use Restriction Agreement to preserve the tax exemption of the interest on the notes or bonds (and/or tax credits) or prohibiting the owner from taking any action that might jeopardize the tax-exemption (and/or tax credit), except in strict accord with the National Housing Act, applicable mortgage insurance regulations, the HUD/FHA loan documents and Section 8 of the U.S. Housing Act of 1937 and the regulations thereunder.

(g) Enforcement of the provisions of the Land Use Restriction Agreement will not result in any claim against the Project, the mortgage proceeds, any reserve or deposit required by HUD in connection with the mortgage transaction or the rents or other income from the property (other than available surplus cash).

(h) Notwithstanding anything in the Land Use Restriction Agreement to the contrary, the provisions thereof are subordinate to all applicable HUD mortgage insurance regulations and related administrative requirements. In the event of any conflict between the provisions of the Land Use Restriction Agreement and the provisions of any applicable HUD regulations, related HUD administrative requirements or HUD/FHA loan documents, the HUD regulations, related administrative requirements or loan documents shall control.

Mortgage Loan Documents and Regulations Control

In the event of any conflict and to the extent that there is any inconsistency or ambiguity between the provisions of the Land Use Restriction Agreement and the provisions of the Controlling HUD and GNMA Requirements or the Mortgage Loan Documents (each as defined in the Indenture), the Controlling HUD and GNMA Requirements and Mortgage Loan Documents will be deemed to be controlling, and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to the terms of the Controlling HUD and GNMA Requirements and Mortgage Loan Documents, as applicable.

HUD Rider/Amendment

The HUD Rider/Amendment to Restrictive Covenants (the “HUD Rider”), which is attached to the Land Use Restriction Agreement provides, in part, that:

(a) Notwithstanding anything in the Land Use Restriction Agreement to the contrary, the provisions of the Land Use Restriction Agreement are expressly subordinate to (i) the security instrument from the Borrower in favor of the Lender (the “Security Instrument”), (ii) the Regulatory Agreement between the Borrower and HUD (the “HUD Regulatory Agreement”) and (iii) Program Obligations (as defined in the Security Instrument). In the event of any conflict between the provisions of the Land Use Restriction Agreement and the provisions of the Security Instrument, HUD Regulatory Agreement, or Program Obligations, the provisions of the Mortgage Loan Documents and Program Obligations shall control and supersede the enforcement of the Land Use Restriction Agreement.

(b) In the event of foreclosure, the Land Use Restriction Agreement (including without limitation, any and all land use covenants and/or restrictions contained herein) shall automatically terminate unless the Borrower or an affiliate thereof subsequently acquires the Project Site or unless otherwise approved by HUD.

(c) The Borrower’s failure to comply with the covenants provided in the Land Use Restriction Agreement does not and shall not serve as a basis for default under the terms of the Security Instrument, the HUD Regulatory Agreement, or any other document relating to the Mortgage Loan to Borrower for the Project.

(d) For so long as the Mortgage Loan is outstanding, the Borrower and the Issuer shall not further amend the Land Use Restriction Agreement without HUD’s prior written consent.

(e) No action shall be taken in accordance with the rights granted in the Land Use Restriction Agreement to preserve the tax exemption of the interest on the Bonds, or prohibiting the Borrower from taking any action that might jeopardize the tax-exemption, except in strict accord with Program Obligations.

In the event of any conflict between any provision contained elsewhere in the Land Use Restriction Agreement and any provision contained in the HUD Rider, the provision contained in the HUD Rider shall govern and be controlling in all respects.

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Dated as of May 1, 2019

by and between

CLEAR SPRINGS II, L.P.,
as Borrower

and

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

Relating to:

\$11,000,000*
The Health, Educational and Housing Facility Board of the County of Knox
Collateralized Multifamily Housing Bonds
(Clear Springs Apartments Project), Series 2019

* Preliminary, subject to change

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THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of May 1, 2019, between Clear Springs II, L.P. (the "Borrower") and U.S. Bank National Association, a national banking association, as dissemination agent (the "Dissemination Agent").

RECITALS

WHEREAS, The Health, Educational and Housing Facility Board of the County of Knox (the "Issuer") has issued its \$11,000,000 Collateralized Multifamily Housing Bonds (Clear Springs Apartments Project), Series 2019 (the "Bonds") pursuant to a Trust Indenture dated as of May 1, 2019 (the "Indenture") between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, the Issuer has agreed to loan the proceeds of the Bonds to the Borrower pursuant to a Loan Agreement dated as of May 1, 2019 (the "Loan Agreement") among the Issuer and the Borrower for the purpose of financing the costs of acquiring, rehabilitating and equipping a 109-unit multifamily housing facility in Knoxville, Tennessee (the "Project") and paying certain financing costs pertaining thereto, including costs of issuance of the Bonds; and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement dated _____, 2019, and a final Official Statement dated _____, 2019 (collectively, the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated _____, 2019 (the "Bond Purchase Agreement"), with respect to the sale of the Bonds, with the Borrower and the Participating Underwriter, as hereinafter defined; and

WHEREAS, the Borrower wishes to provide for the disclosure of certain information concerning the Bonds, the Project and other matters on an on-going basis as set forth herein for the benefit of Bondholders (as hereinafter defined) in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule"), and the Dissemination Agent has agreed to serve as dissemination agent hereunder;

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Indenture and/or the Loan Agreement, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

Section 1. Definitions; Scope of this Agreement.

- (A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Indenture and the Loan Agreement, as those agreements are amended and supplemented from time to time. Notwithstanding the foregoing, the term "Dissemination Agent" shall originally mean the Trustee, or any successor trustee under the Indenture; any such successor dissemination agent shall automatically succeed to the rights and duties of the Dissemination Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean a copy of the annual audited financial information prepared for the Borrower which shall include, if prepared, a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using generally accepted accounting principles, provided, however, that the Borrower may change the accounting principles used for preparation of such financial information so long as the Borrower includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"*Bondholders*" shall mean any holder of the Bonds and any Beneficial Owner thereof.

"*Borrower's Representative*" shall have the meaning set forth in the Indenture.

"*EMMA System*" shall mean the Electronic Municipal Market Access System maintained by the MSRB at www.emma.msrb.org.

"*Event*" shall mean any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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, or 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 obligated person);
- (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) Incurrence of a financial obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation on of the Borrower, any of which affect Bondholders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borrower, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi) although some of such events may not be applicable to the Bonds.

"*Force Majeure Event*" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the EMMA System; or (iii) to the extent beyond the Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological applicable, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Dissemination Agent from performance of its obligations under this Agreement.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board.

"*Operating Data*" shall mean the average occupancy rates and average monthly rental rates for the Project for the prior fiscal year and the current Project occupancy rates and average rental rates.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"*SEC*" shall mean the Securities and Exchange Commission.

"*State*" shall mean the State of Tennessee.

"*Turn Around Period*" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Borrower to the Dissemination Agent; (ii) two (2) business days with respect to Event occurrences disclosed by the Borrower by written notice to the Dissemination Agent; or (iii) two (2) business days with respect to the failure, on the part of the Borrower, to deliver Annual Financial Information and Operating Data to the Dissemination Agent which period commences upon written notification by the Borrower to the Dissemination Agent of such failure, or upon the Dissemination Agent's actual knowledge of such failure, including, but not limited to, the occurrence of an Extension.

- (A) This Agreement applies to the Bonds and any additional bonds issued under the Indenture.
- (B) The Dissemination Agent shall have no obligation to make disclosure about the Bonds or the Project except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Dissemination Agent in its separate capacity as Trustee under the Indenture or the duties of the Borrower under the Loan Agreement. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Borrower, apart from the relationship created by the Indenture or the Loan Agreement, shall not be construed to mean that the Dissemination Agent has actual

knowledge of any event or condition, including, but not limited to, the occurrence of an Extension, except as may be provided by written notice from the Borrower. The services provided under this Agreement solely relate to the execution of instructions received from the Borrower and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). The Dissemination Agent will not provide any advice or recommendation to the Borrower or anyone on the Borrower’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. Notwithstanding anything to the contrary contained herein, a written certificate of compliance or direction signed by the Borrower’s Representative must accompany each document submitted to the Dissemination Agent by the Borrower under this Agreement and must include the full name and CUSIP numbers for all Bonds to which the document relates. The Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Dissemination Agent uses reasonable efforts to make any such filing as soon as possible. The Dissemination Agent is under no obligation to notify the Borrower’s Representative of an event that may constitute an Event.

Section 2. Disclosure of Information.

(A) General Provisions. This Agreement governs the Borrower's direction to the Dissemination Agent with respect to information to be made public. In its actions under this Agreement, the Dissemination Agent is acting not as Trustee but as the Borrower's agent; provided that the Dissemination Agent shall be entitled to the same protection in so acting under this Agreement as it has in acting as Trustee under the Indenture as fully as if the applicable provisions of the Indenture and the Loan Agreement were set forth herein. The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures.

(B) Information Provided to the Public. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 3 hereof, the Borrower shall make or cause to be made public the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 180 days after the end of each fiscal year of the Borrower beginning with fiscal year ending December 31, 2020, and continuing with each fiscal year thereafter, for which the information is provided taking into account the Turn Around Period.

(2) Event Notices. Notice of the occurrence of an Event, in a timely manner, not in excess of ten (10) business days after the occurrence of the Event.

(3) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of Borrower to provide the Annual Financial Information or Operating Data by the date required herein.

(C) Information Provided by Dissemination Agent to Public.

(1) The Borrower directs the Dissemination Agent on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Dissemination Agent agrees to act as the Borrower's agent in so making public, the following:

(a) the Annual Financial Information and Operating Data received from the Borrower;

- (b) Event occurrences of which the Dissemination Agent receives notice from the Borrower;
- (c) the notices of failure to provide information which the Borrower has agreed to make public pursuant to subsection (B)(3) of this Section 2 to the extent of the Dissemination Agent's actual knowledge thereof;
- (d) such other information as the Borrower shall determine to make public through the Dissemination Agent at the Borrower's additional expense and shall provide to the Dissemination Agent in the form required by subsection (C)(2) of this Section 2. If the Borrower chooses to include any information in any Annual Financial Information report or in any notice of occurrence of an Event, in addition to that which is specifically required by this Agreement, the Borrower shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information report or notice of occurrence of an Event; and

(2) The information which the Borrower has agreed to make public shall be delivered electronically to the Dissemination Agent pursuant to instructions delivered by the Dissemination Agent to the Borrower.

(3) The Dissemination Agent shall make public (i) the Annual Financial Information and the Operating Data received from the Borrower, (ii) the Event occurrences of which the Dissemination Agent receives notice from the Borrower, and (iii) notices of the failure to provide the Annual Financial Information and Operating Data of which the Dissemination Agent has actual knowledge within the applicable Turn Around Period. Notwithstanding the foregoing, Annual Financial Information, Operating Data and notice of Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required in the Indenture, and in any event shall not be made public before the date of such notice. If on any such date, information required to be provided by the Borrower to the Dissemination Agent has not been provided on a timely basis, the Dissemination Agent shall make such information public as soon thereafter as it is provided to the Dissemination Agent.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Borrower or the Dissemination Agent under this Agreement if it is transmitted as provided in subsection (D)(2) of this Section 2 to the MSRB in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB (a description of such format and information as presently prescribed by the MSRB is included in Exhibit A hereto).

(2) Information shall be transmitted to the following:

(E) to the MSRB; and

(F) to the extent the Borrower is obligated to file any Annual Financial Information or Operating Data with the MSRB pursuant to this Agreement, such Annual Financial Information or Operating Data may be set forth in the document or set of documents transmitted to the MSRB, or may be included by specific reference to documents available to the public on the EMMA System or filed with the SEC.

Nothing in this subsection shall be construed to relieve the Dissemination Agent, as Trustee, of its obligation to provide notices to the holders of all Bonds if such notice is required by the Indenture.

With respect to requests for periodic or occurrence information from Bondholders, the Dissemination Agent may require that any such requests be in writing and may require payment by requesting of holders a reasonable charge for duplication

and transmission of the information and for the Dissemination Agent's administrative expenses incurred in providing the information.

Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning the information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Borrower for response.

(G) Dissemination Agent Compensation. The Borrower shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement as provided in the Loan Agreement and the Indenture.

(H) Indemnification of Dissemination Agent. In addition to any and all rights of the Dissemination Agent or the Issuer to reimbursement, indemnification and other rights pursuant to the Indenture or the Loan Agreement or under law or equity, the Borrower shall indemnify and hold harmless the Dissemination Agent and the Issuer and their respective officers, directors, employees and agents from and against any and all actual claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including reasonable attorney fees actually incurred) which such indemnified party incurs by reason of or in connection with the Dissemination Agent's performance under this Agreement; provided that the Borrower shall not be required to indemnify the Dissemination Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Issuer or the Dissemination Agent or any of their respective officers, directors, employees or agents in such disclosure of information hereunder. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 3. Amendment or Waiver.

Notwithstanding any other provision of this Agreement, the Borrower and the Dissemination Agent may amend this Agreement (and the Dissemination Agent shall agree to any reasonable amendment requested by the Borrower) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel or counsel expert in federal securities laws acceptable to both the Borrower and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

Section 4. Miscellaneous.

(A) Representations. Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Agreement under its organizational documents and any corporate resolutions now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, do not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Bonds.

(B) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(C) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Termination. This Agreement may be terminated by any party to this Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Agreement; provided the termination of this 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 Bondholders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities law provides an opinion that the new continuing disclosure agreement is in compliance with all State and Federal Securities laws, (iii) notice of the termination of this Agreement is provided to the MSRB and (iv) the Borrower shall have paid to the Dissemination Agent its fees due hereunder to and including the effective date of such termination of this Agreement.

This Agreement shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity and the Borrower shall have paid to the Dissemination Agent its fees due hereunder to and including the effective date of such termination of this Agreement.

(F) Defaults: Remedies. A party shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If an event of default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may enforce the obligations of the defaulting party under this Agreement; provided, however, the sole remedy available in any proceeding to enforce this Agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance.

The occurrence of any event of default as provided in this Agreement shall not constitute an event of default under the Indenture, the Loan Agreement or any other Financing Document.

(G) Beneficiaries. This Agreement is entered into by the parties hereof and shall inure solely to the benefit of the Issuer, the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriter and Bondholders, and shall create no rights in any other person or entity.

Section 5. Additional Disclosure Obligations.

The Borrower acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Borrower, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Borrower under such laws.

Section 6. Notices.

Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower: Clear Springs II, L.P.
900 South Gay Street, Suite 2000
Knoxville, Tennessee 37902

With a copy to: Timothy M. McLemore, Esq.
Gentry Tipton & McLemore, P.C.
900 South Gay Street, Suite 2300
Knoxville, Tennessee 37902

To the Dissemination Agent: U.S. Bank National Association
6810 Crumpler Boulevard
Suite 200
Olive Branch, Mississippi 38654
Attention: Corporate Trust Department

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 7. HUD Requirements.

For purposes of this Section 7, the words and terms defined in the Indenture shall have the same meanings when used herein as are ascribed thereto in the Indenture. In the event of any conflict between the provisions of this Agreement and the National Housing Act, as amended, the regulations and administrative requirements promulgated thereto or the Mortgage Loan Documents, such acts, regulations, administrative requirements and Mortgage Loan Documents shall control. No amendment of this Agreement shall conflict with any such acts, regulations, administrative requirements or Mortgage Loan Documents. This Agreement and the restrictions hereunder are subordinate to the Mortgage Loan Documents. This Agreement is a Bond Document and is subject to the provisions of Section 11.12 of the Indenture.

[SIGNATURE PAGE OF BORROWER]

IN WITNESS WHEREOF, the Dissemination Agent and the Borrower have each caused their duly authorized officers or authorized agents to execute this Agreement, as of the day and year first above written.

BORROWER:

CLEAR SPRINGS II, L.P.,
a Tennessee limited partnership

By: Clear Springs GP, LLC, a Tennessee limited liability
company, its sole General Partner

By: _____
W. Carr Hagan, III, Vice President

[SIGNATURE PAGE OF DISSEMINATION AGENT]

U.S. BANK NATIONAL ASSOCIATION, Dissemination
Agent

By: _____

Its: _____

EXHIBIT A

MSRB Procedures for Submission of Continuing Disclosure Documents and Related Information

Securities and Exchange Commission Release No. 34-59061 (the “Release”) approves an MSRB rule change establishing a continuing disclosure service of the MSRB’s Electronic Municipal Market Access system (“EMMA”). The rule change establishes, as a component of EMMA, the continuing disclosure service for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted by issuers, obligated persons and their agents pursuant to continuing disclosure undertakings entered into consistent with Rule 15c2-12 (“Rule 15c2-12”) under the Securities Exchange Act of 1934. The following discussion summarizes procedures for filing continuing disclosure documents and related information with the MSRB as described in the Release.

All continuing disclosure documents and related information is to be submitted to the MSRB, free of charge, through an Internet-based electronic submitter interface or electronic computer-to-computer data connection, at the election of the submitter. The submitter is to provide, at the time of submission, information necessary to accurately identify: (i) the category of information being provided; (ii) the period covered by any annual financial information, financial statements or other financial information or operating data; (iii) the issues or specific securities to which such document is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate); (iv) the name of any obligated person other than the issuer; (v) the name and date of the document; and (vi) contact information for the submitter.

Submissions to the MSRB are to be made as portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. If the submitted file is a reproduction of the original document, the submitted file must maintain the graphical and textual integrity of the original document. In addition, such PDF files must be word-searchable (that is, allowing the user to search for specific terms used within the document through a search or find function), provided that diagrams, images and other non-textual elements will not be required to be word-searchable.

All submissions to the MSRB’s continuing disclosure service are to be made through password protected accounts on EMMA by (i) issuers, which may submit any documents with respect to their municipal securities; (ii) obligated persons, which may submit any documents with respect to any municipal securities for which they are obligated; and (iii) agents, designated by issuers and obligated persons to submit documents and information on their behalf. Such designated agents are required to register to obtain password-protected accounts on EMMA in order to make submissions on behalf of the designating issuers or obligating persons. Any party identified in a continuing disclosure undertaking as a dissemination agent or other party responsible for disseminating continuing disclosure documents on behalf of an issuer or obligated person will be permitted to act as a designated agent for such issuer or obligated person, without a designation being made by the issuer or obligated person as described above, if such party certifies through the EMMA on-line account management utility that it is authorized to disseminate continuing disclosure documents on behalf of the issuer or obligated person under the continuing disclosure undertaking. The issuer or obligated person, through the EMMA on-line account management utility, is able to revoke the authority of such party to act as a designated agent.

The MSRB’s Internet-based electronic submitter interface (EMMA Dataport) is at www.emma.msrb.org.

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APPENDIX F

FORM OF BOND COUNSEL OPINION

The form of the approving legal opinion of Bass Berry & Sims PLC, bond counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the bonds referred to therein and may vary from the form set forth below to reflect circumstances both factual and legal at the time of such delivery.

[Dated Date of Delivery of the Bonds]

The Health, Educational and Housing Facility
Board of the County of Knox
Knoxville, Tennessee

Walker & Dunlop, LLC
Bethesda, Maryland

Raymond James & Associates, Inc.
Nashville, Tennessee

Clear Springs II, L.P.
Knoxville, Tennessee

U.S. Bank National Association
Olive Branch, Mississippi

Pinnacle Bank
Memphis, Tennessee

Re: \$11,000,000* The Health, Educational and Housing Facility Board of the County of Knox Collateralized Multifamily Housing Bonds (Clear Springs Apartments Project) Series 2019

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Health, Educational and Housing Facility Board of the County of Knox (the "Issuer") of the referenced bonds (the "Bonds") which are dated the date hereof. In such capacity, we have examined the law and such certified proceedings and other papers as deemed necessary to render this opinion.

The Bonds are issued pursuant to a Trust Indenture dated as of May 1, 2019 (the "Indenture"), between the Issuer and U.S. Bank National Association, a national banking association, as trustee (the "Trustee"). Under the terms of a Loan Agreement dated as of May 1, 2019 (the "Agreement"), among the Issuer and Clear Springs II, L.P., a Tennessee limited partnership (the "Borrower"), the Borrower has agreed to make payments to be used to pay when due the principal of, premium, if any, and interest on the Bonds, and such payments and other revenues under the Agreement and certain rights of the Issuer under the Agreement have been assigned by the Issuer pursuant to the Indenture as security for the Bonds. The Bonds are payable solely from the Trust Estate pledged to the Trustee under the Indenture.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Borrower contained in the Agreement, the certified proceedings and other certifications of public officials and others furnished to us, and certifications furnished to us by or on behalf of the Borrower (including certifications as to the use of bond proceeds which are material to paragraph 4 below), without undertaking to verify the same by independent investigation.

Reference is made to an opinion of even date of Gentry, Tipton & McLemore, P.C., special counsel to the Borrower, upon which we have relied with your permission with respect, among other matters, to the good standing of the Borrower, the power of the Borrower to enter into and perform the Agreement, the authorization, execution and delivery of the Agreement by the Borrower, and the enforceability of the Agreement against the Borrower, and we express no opinion with respect to these issues.

* Preliminary, subject to change

The use and operation of the Project is subject to the provisions of the Land Use Restriction Agreement dated as of May 1, 2019 (the "Restrictive Covenants"), among the Issuer, the Borrower and the Trustee. The Restrictive Covenants require that (i) at least 40% of the residential units of the Project be occupied at all times by individuals or families (with appropriate adjustments for family size) whose income is 60% or less of area median gross income, within the meaning of Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), for the Qualified Project Period, as defined in the Restrictive Covenants, and (ii) that the Project be owned, managed and operated as residential rental property, all as required by Section 142(d)(1) of the Code.

Based on our examination, and assuming continued compliance by the Issuer and the Borrower with certain covenants in the Agreement, the Restrictive Covenants and the Indenture which are designed to insure that interest on the Bonds remains excluded from gross income for federal income tax purposes, we are of the opinion that, under existing law:

1. The Issuer is duly incorporated, validly existing and in good standing under the laws of the State of Tennessee with the corporate power and authority to enter into and perform its obligations under the Agreement and the Indenture and to issue the Bonds.

2. The Agreement, the Indenture and the Restrictive Covenants have been duly authorized, executed and delivered by the Issuer and are valid and binding obligations of the Issuer enforceable upon the Issuer. The Indenture creates a valid lien on the Trust Estate and certain rights of the Issuer under the Agreement.

3. The Bonds have been duly authorized, executed and delivered by the Issuer and are the valid and binding limited obligations of the Issuer, payable solely from the Trust Estate.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any period during which such Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Code. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The Issuer and/or the Borrower have covenanted to comply with such requirements. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxation in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

6. It is not necessary in connection with the sale of the Bonds to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,



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