

AGENDA
MONTHLY MEETING OF
THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD
OF THE CITY OF CHATTANOOGA, TENNESSEE

Monday, June 17, 2024 @ 12:30 PM

1. Call to Order.
2. Confirmation of Meeting Advertisement and Quorum Present.
3. Approval of the Minutes for the May 20, 2024, monthly meeting.
4. Recognition of Persons Wishing to Address the Board.
5. **TEFRA Hearing - Erlanger Health Bond Issuance**

A resolution authorizing and approving all documents, instruments, actions, and matters necessary or appropriate for, or pertaining to, the issuance, sale, and delivery by the Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee of its Health System Revenue Bonds (Erlanger Health) in one or more series in the aggregate principal amount of not to exceed \$370,000,000. **(HEB-2024-12)**

6. **Espero Chattanooga LP/AIM Center PILOT/Lease Agreements**

A resolution of the Health, Educational, and Housing Facility Board of the City of Chattanooga, Tennessee, regarding a Payment in Lieu of Taxes transaction with Espero Chattanooga, LP. **(HEB-2024-13)**

7. Other Business-Discussion.

Review proposed revised Affordable Housing Initiative Letter to Mayor Kelly and the City Council.

8. Adjournment.



HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD
City of Chattanooga, Tennessee
MONTHLY MEETING MINUTES
John P. Franklin, Sr. Council Building
J.B. Collins Conference Room
1000 Lindsay Street
Chattanooga, TN 37402
for
Monday, May 20, 2024
12:50 p.m.

Present were Board Members: Hicks Armor (Chair), Richard Johnson (Secretary), Johnika Everhart, Brian Erwin, and Hank Wells. Absent was Gregg T. Gentry (Vice-Chair), Andrea Smith, and Dr. Patti Skates

Also, present were Phillip A. Noblett (Counsel to the Board); Sandra Gober (Community Development); Janice Gooden (CALEB); Mike Pare (Times-Free Press); Tom Lauth (Kutak Rock); Steve Barrett (Husch Blackwell); Jeff Woodard (Erlanger); Nicole Heyman; Hannebe van Deursen; Sydney Shivers; and Chandra Freeman.



Chair Armor called the meeting to order, confirmed the meeting advertisement, and established that a quorum was present to conduct business.



MINUTES APPROVAL FOR THE MARCH 18, 2024, MEETING

On motion of Mr. Wells, seconded by Mr. Erwin, the minutes of the March 18, 2024, monthly meeting were unanimously approved as submitted.



ELECTION OF OFFICERS

After further discussion, on motion of Mr. Johnson, seconded by Ms. Everhart, the Board decided to keep the current officers' structure for two months. Hicks Armor, Chair; Gregg Gentry (Vice-Chair); and Richard Johnson (Secretary) have been re-elected.

PUBLIC COMMENTS

Ms. Janice Gooden (CALEB) is also a resident of District 8. At the last meeting in March, there was a lengthy discussion at the end about the dilemma of the lack of affordable housing which led to a decision to approach the Council and Mayor concerning the issue. Ms. Gooden had questions about the process of how the Board is educated and have received the information. Today there are experts in the room which makes her feel much better. Ms. Gooden encouraged the Board to be engaged and stay up to date on all of the changes because what the Board does is very important.

Chair Armor thanked Ms. Gooden and said that he thinks the Board is cognizant of the need. We did construct a letter that we have not sent to the City Council stating our concern. What we saw today is that the City is looking at options which are important. Within the realm of the responsibility for what they have and see that there may be pockets of people that were not serving as well as they should be.

Chair Armor appreciates Ms. Gooden coming before the Board and taking the time to come and speak. Mr. Johnson also agrees and said that the City does a great job in keeping them abreast. Council does a great job, and the Board on a regular basis has training as well, which is all about transparency. The Board right now is as ethical and really concerned and really has a heart into this Board. This is one of the most-high functioning boards the City has and we all take our role seriously. We have a tremendous amount of respect for each other, and we know what we are doing is important. We know we represent our neighbors, friends, and other members of the City. Thank you for your interest and engagement in coming before the Board as well.

RESOLUTION

On motion of Ms. Everhart, seconded by Mr. Johnson,

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE TO INDUCE ERLANGER HEALTH, A TENNESSEE NON-PROFIT, PUBLIC BENEFIT CORPORATION AND A 501(C)(3) ORGANIZATION, TO FINANCE AND REFINANCE THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION AND EQUIPPING OF CERTAIN HEALTH CARE FACILITIES AND RELATED AMENITIES LOCATED OR TO BE LOCATED IN OR NEAR CHATTANOOGA, TENNESSEE THAT ARE OR WILL BE OWNED AND OPERATED BY ERLANGER HEALTH; AND TO AUTHORIZE THE ISSUER

TO TAKE SUCH OTHER ACTIONS AS MAY BE NECESSARY TO FACILITATE THE FINANCING OF THE SAME THROUGH THE ISSUANCE OF REVENUE BONDS AS MAY BE REQUESTED BY ERLANGER HEALTH. (HEB-2024-09)

Attorney Noblett stated that this is a general resolution on the front end authorizing the Board as Issuer to take action to facilitate the financing of revenue bonds. The first step is a resolution authorizing the issuance. There will be a TEFRA hearing involved at the next meeting regarding the public opportunity to be able to be present and hear the extent of what those bonds will be used for. Beyond that, there will be a request for the issuance of bonds. Those bonds that this Board can issue are at a lower financial rate than they might be by some other agencies and that is why we have previously done this before for Catholic Health Initiatives for Memorial as well. This is the same type of request as before. The Board has to pass a resolution saying the Board is getting ready to do that, and you are going to have a hearing next time and issue the bonds.

Mr. Wells said that he and the attorney have talked about this matter and that he volunteers at Erlanger on a regular basis in addition to the fact that he moved to Chattanooga to work at Erlanger 40 years ago. Mr. Wells feels it is important that he disclose that to this Board so that as we get into discussions about Erlanger and Erlanger's finances that the Board is aware of that. Mr. Wells does not think there is a conflict, and he does not have any financial ties to Erlanger. The attorney and Mr. Wells have discussed that, they agree, but he just wanted to disclose it in the interest of full accountability.

Attorney Noblett said that we did that in connection with the Ethics Code with the City as regard to issues as to whether there was a personal financial interest involved. Mr. Wells has assured Attorney Noblett that there is none and wanted to make sure this was disclosed.

Chair Armor said that he is somewhat the same but not totally. Chair Armor ran an organization they were a member of. He was compensated by 15 hospitals of which they were a member of the organization he ran. This was about 30 years ago. Attorney Noblett said that is not an issue. Chair Armor is not receiving any financial interest. Mr. Johnson is a past board member of the Pleiades Foundation which is the successor of the Erlanger Foundation. Mr. Erwin said that he has no personal interest in Erlanger.

Mr. Johnson asked about the 501(c)(3) organization which is relatively new, does this impact the Board? They are no longer a governmental entity under state law to get the governmental rates. That is why they are coming before this Board for the issuance of bonds. The bonds that they currently have are all in the name of Chattanooga-Hamilton County Hospital Authority.

Mr. Tom Lauth spoke and serves as bond counsel for Erlanger Health. Mr. Jeff Woodard is the Chief Legal Officer at Erlanger. Attorney Noblett described pretty clearly what the ask is here. Historically, the Chattanooga-Hamilton County Hospital Authority has been the public entity that has issued bonds to help build capital projects for Erlanger. In July of last year, Chattanooga-Hamilton County Hospital Authority transferred substantially all of its assets to this

newly created 501(c)(3) which is Erlanger Health. As a result of that change, in order for Erlanger Health to be able to borrow money on a tax-exempt basis which is lower cost to borrowing, they need to come to a conduit Issuer which is what the HEB is to issue the bonds. This body will have no financial obligation on the bonds but is going to issue the bonds and loan the proceeds of the bonds to Erlanger Health and the obligation to pay back the bonds would be solely Erlanger Health. In order for those tax-exempt rates, they would need the assistance of the HEB to issue the bonds.

The bonds are a combination of refinancing of existing bonds and also paying for new projects that Erlanger's Board of Directors capital projects has on the agenda to build over the next couple of years. Attorney Noblett said that is pretty broad on the aspect of construction and improvement renovation. What would be involved?

Mr. Lauth said that the number here is a high popping number of \$370 million. That is on the upside that the underwriters (Morgan Stanley) have come up with. In the resolution there is about \$150 million worth of bonds that were issued ten years ago. Those bonds paid for a number of capital projects that already exist at Erlanger. About \$150 million give or take, the proceeds would be used to pay off those bonds. Erlanger over the last several years has entered into some loan agreements with First Horizon Bank and borrowed about \$50 million over the last two years to use the \$50 million for additional capital projects on the Erlanger campus. When you add, it is \$200 million which is going to be refinancing obligations Erlanger currently has today.

On top of that, there is another \$100 million in new projects that Erlanger is contemplating. Mr. Jeff Woodard with Erlanger said they are really looking to expand out the growth and building the hospital up to meet the needs of the community expansion of the diversity department of new in-patient rooms, additional ICU, NICU and neonatal. They are looking at some projects in Cleveland as well expanding their reach. They see a tremendous number of those patients every day giving them another access point. There are a lot of little projects as well. Oasis Park out in Hixson as a multi-specialty clinic to serve that community.

Murphy is also included. Most of these projects are in the Chattanooga area. There is a relatively small amount of capital projects that are in the Murphy facility. Attorney Noblett was concerned about the North Carolina aspect of our entity as involved as a Tennessee corporation.

In the inducement resolution, to the extent the projects are located in the City of Chattanooga, then there is no additional approval that is needed. There are some projects that are located in Hamilton County outside of Chattanooga. For those projects, the plan is to have the Hamilton County Board of Commissioners approve those projects as required by the Act. There is also a project located in Bradley County in Cleveland that will approve that. There are also some capital projects that are contemplated in the Murphy, North Carolina, area. Under the Act, the HEB is permitted to finance projects that are located outside of the state as long as the borrower, Erlanger Health, maintains their principal place of business in the State of Tennessee.

In the resolution with Erlanger Health, Erlanger Health is going to covenant that they will maintain their principal place of business in the State of Tennessee as long as the bonds are outstanding. Attorney Noblett wanted to make sure this body realized this. Mr. Woodard said that they have Erlanger South facility on 2A and an office in the City. There has been some discussion

generally about whether it would cover Catoosa County or whether we would need to get Catoosa County involved.

This inducement resolution will authorize Erlanger Health to publish a TEFRA notice which is in federal legislation which requires a public hearing. There is a public hearing on the June 17th meeting. The notice is to be published in the local newspaper in the Chattanooga Times-Free Press, newspaper in Cleveland, and in Murphy, North Carolina. We can have it all in one hearing for federal tax purposes. You are allowed to have a hearing all in one location as long as all of those other locations are within 100 miles. The Murphy, North Carolina, campus is about 91 miles away. They will give a copy of the TEFRA notices.

The motion carried.

ADOPTED

RESOLUTION

On motion of Mr. Wells, seconded by Mr. Johnson,

A RESOLUTION RATIFYING THE CHAIR'S ELECTRONIC SIGNATURE ON A GROUND LESSOR ESTOPPEL CERTIFICATE REGARDING THE PATTEN TOWERS PILOT AGREEMENT. (HEB-2024-10)

The motion carried.

ADOPTED

RESOLUTION

On motion of Mr. Johnson, seconded by Mr. Wells,

A RESOLUTION RATIFYING THE CHAIR'S ELECTRONIC SIGNATURE ON A MULTIFAMILY TAX-EXEMPT BOND AUTHORITY BORROWER ISSUER CERTIFICATION REGARDING THE WESTSIDE 1B PROJECT. (HEB-2024-11)

The motion carried.

ADOPTED

OTHER BUSINESS-DISCUSSION

Review Affordable Housing Initiative Letter to Mayor Kelly and the City Council - Chair Armor thinks the letter is good and wanted to make sure the Board has seen the letter.

Ms. Everhart thinks paragraph two needs a little bit of work. It should be low to moderate income people. The projects that come before the HEB may not be meeting the true crisis for housing at all levels. The second paragraph is confusing. After further discussion, what we are trying to say is that based on the presentation at the previous board meeting, what the AMI was that there are people who are below the AMI who cannot find affordable housing.

The projects that the HEB are approving are not sufficient for the people with the AMI level or low poverty income level. Chair Armor is going to revise the letter and send it to everyone. After the presentation that the Board had today, there may be something that is trying to address it.

The City Council has passed a resolution recently talking about the aspect of them working on the Affordable Housing Program which will help in this process as well. After further discussion, Ms. Everhart said that we recognize that we are not meeting the need is valuable to people right now, that matters to the Board, and based on our research, we have had people come in and explain and recognize there is a need. We are doing our best to help get that need met which is the education to see how we can come alongside these organizations to promote that.

Chair Armor said that we want the Council to know that we are approving of them, but do not know if that is truly meeting the needs of anybody who has a need. We want to be educated so we are the most beneficial.



After further discussion, a motion was made to adjourn the meeting by Mr. Erwin, seconded by Ms. Everhart, and the meeting adjourned at 1:20 PM.

Respectfully submitted,

Richard A. Johnson, Secretary

APPROVED:

Hicks Armor, Chair

Not to Exceed \$370,000,000
The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee
Health System Revenue Bonds (Erlanger Health), Series 2024

Erlanger Health, a Tennessee non-profit, public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “**Corporation**”), owns and operates the hospital facilities known as Erlanger Health System located in and near the City of Chattanooga, Tennessee (the “**Hospital Facilities**”). Prior to July 1, 2023, the Hospital Facilities were owned and operated by the Chattanooga-Hamilton County Hospital Authority (the “**Hospital Authority**”), and on July 1, 2023, the Hospital Authority transferred the Hospital Facilities to the Corporation.

The Corporation requests that The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the “**Issuer**”) issue its revenue bonds described above (the “**Bonds**”) pursuant to the terms of a Bond Indenture to be executed between the Issuer and U.S. Bank Trust Company, National Association, as bond trustee, and loan the proceeds of the Bonds to the Corporation pursuant to the terms of a Loan Agreement to be executed between the Issuer and the Corporation for the following purposes (collectively, the “**Project**”):

1. refunding all of the outstanding Hospital Revenue and Refunding Bonds (Erlanger Health System), Series 2014A (the “**Series 2014A Bonds**”) issued by the Hospital Authority in December 2014, the proceeds of which were used to – (a) refund certain outstanding revenue bonds previously issued by the Hospital Authority, the proceeds of which were used to finance or refinance the costs of acquiring, constructing and equipping certain improvements to the Hospital Facilities, (b) pay the costs of acquiring, constructing and equipping certain improvements to the Hospital Facilities and (c) pay certain costs of issuance for the Series 2014A Bonds;
2. prepaying all or a portion of the outstanding principal of and interest on certain promissory notes of the Hospital Authority and the Corporation in favor of First Horizon Bank in connection with certain loans from First Horizon Bank, the proceeds of which financed the costs of acquiring, constructing and equipping certain improvements to the Hospital Facilities;
3. financing or refinancing the acquisition, construction, improvement, renovation and equipping of the Hospital Facilities owned and to be owned by the Corporation, including, but not limited to, the construction for expansion and development of the Corporation’s Erlanger Baroness and Erlanger East campuses located in the City of Chattanooga, Tennessee, including reimbursement for expenditures incurred prior to the date of adoption of the Inducement Resolution which are of a type properly chargeable to a capital account under general federal income tax principles or a cost of issuance with respect to the Bonds; and
4. paying certain costs of issuance and funding certain reserves and accounts, if necessary.

For any portion of the Project located or to be located outside of the boundaries of the City of Chattanooga, Tennessee, the Issuer must receive, prior to the issuance of the Bonds, a resolution duly adopted by the governing authority of the county, city or town where such portion of the Project is or will be located approving the issuance of the Bonds to finance or refinance the costs of such portion of the Project as required by Section 48-101-308(a)(5) of the Tennessee Code Annotated.

The Bonds will be sold to Morgan Stanley & Co. LLC, on behalf of itself and as representative of J.P. Morgan Securities LLC, as underwriters (the “**Underwriters**”), for resale to the public pursuant to the terms of a bond purchase agreement among the Issuer, the Corporation and the Underwriters.

CERTIFICATE WITH RESPECT TO PUBLIC HEARINGS AND NOTICES

*The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee
Health System Revenue Bonds (Erlanger Health), Series 2024*

The undersigned Chairman of The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the “Issuer”), hereby certifies on behalf of the Issuer that:

(1) Attached hereto are affidavits of publication for the notice for the public hearing held with respect to the issuance by the Issuer of the above-described revenue bonds (the “Bonds”), and such notice apprised the residents of the City of Chattanooga, Tennessee, Hamilton County, Tennessee, the City of Cleveland, Tennessee and the Town of Murphy, North Carolina, respectively, of the proposed issuance of the Bonds by the Issuer and the related plan of finance, in compliance with all legal requirements, including Section 147(f) of the Internal Revenue Code of 1986, as amended.

(2) The public hearing described in said notice was duly held at the date and place set forth in said notice, and such hearing was held before the undersigned Chair of the Issuer of the Issuer, and that the hearing was conducted in a manner which provided a reasonable opportunity for persons with differing views on the proposed issuance of the Bonds to be heard.

(3) There was no adverse comment from the public regarding the proposed execution and delivery of the Bonds and related plan of finance at such hearing.

(4) Based on the above information, it is the recommendation of the undersigned on behalf of the Issuer that the Mayor of the City of Chattanooga, Tennessee, the County Mayor of Hamilton County, Tennessee, the Mayor of the City of Cleveland, Tennessee and the Mayor of the Town of Murphy, North Carolina approve the issuance of the Bonds to the extent required by Section 147(f) of the Internal Revenue Code of 1986, as amended.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the 17th day of June, 2024.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

BY: _____
Hicks Armor, Chairman

Chattanooga Times Free Press

Account #: AP24160

Company: KUTAK ROCK LLP

3424 Peachtree Rd NE Ste 900

Atlanta, GA 30326-1132

Ad number #: 408499

PO #:

Matter of: NOTICE OF PUBLIC HEARING OF THE PROPOSED

AFFIDAVIT • STATE OF TENNESSEE • HAMILTON COUNTY

Before me personally appeared Samara Swafford, who being duly sworn that she is the Legal Sales Representative of the CHATTANOOGA TIMES FREE PRESS, and that the Legal Ad of which the attached is a true copy, has been published in the above named newspaper and on the corresponding newspaper website on the following dates, to-wit:

Times Free Press 06/04/24; TimesFreePress.com 06/04/24

And that there is due or has been paid the CHATTANOOGA TIMES FREE PRESS for publication the sum of \$515.50.

Samara Swafford

Sworn to and subscribed before me this date: 6th day of June, 2024



Sheniqua Hambrick

My Commission Expires 12/14/2026

Chattanooga Times Free Press

400 EAST 11TH ST
CHATTANOOGA, TN 37403

NOTICE OF PUBLIC HEARING OF THE PROPOSED ISSUANCE OF REVENUE BONDS

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

NOTICE IS HEREBY GIVEN that a public hearing will be conducted concerning the proposed issuance by The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the "Issuer") of its Health System Revenue Bonds (Erlanger Health), Series 2024 in an aggregate principal amount not to exceed \$370,000,000 (the "Bonds") and one or more other issuances or deemed issuances of revenue bonds as part of a plan of finance. The proceeds of the Bonds will be loaned by the Issuer to Erlanger Health, a Tennessee non-profit, public benefit corporation (the "Corporation") and applied to:

(1) refund the Hospital Revenue and Refunding Bonds (Erlanger Health System), Series 2014A issued by the Chattanooga-Hamilton County Hospital Authority (the "Hospital Authority") in the original aggregate principal amount of \$149,920,000 and currently outstanding in the aggregate principal amount of \$147,190,000 (the "Series 2014A Bonds"), for the purpose of financing and refinancing the cost of the acquisition, construction and equipping of certain capital improvements to the hospital facilities known as Erlanger Health System (the "Hospital Facilities"), previously owned and operated by the Hospital Authority and, as of July 1, 2023, owned and operated by the Corporation, including but not limited to, the expansion of Erlanger East Hospital, the construction of a diagnostic cardiac catheterization lab, infusion center and other administrative, support and ancillary services, a Children's and Women's Ambulatory Center, vascular operating rooms and orthopedic center located, all treated as part of the same project and located at - 975 and 979 East Third Street, Chattanooga, Tennessee 37403 and 11751 Gunbarrel Road, Chattanooga, Tennessee 37421 (collectively, the "2014A Projects");

(2) pay all or a portion of the outstanding principal and interest on certain promissory notes of the Hospital Authority and the Corporation in favor of First Horizon Bank relating to certain loans from First Horizon Bank, the proceeds of which financed the costs of acquiring, constructing and equipping certain improvements to the Hospital Facilities located at - 900, 975, 979 and 1100 East Third Street, Chattanooga, Tennessee 37403 and 1614 and 1751 Gunbarrel Road, Chattanooga, Tennessee 37421; 910 Blackford Street, Chattanooga, Tennessee 37403; 102 Central Avenue, Chattanooga, Tennessee 37403; 632 Morrison Springs Road, Chattanooga, Tennessee 37415; 600 North Holtzclaw Avenue, Chattanooga, Tennessee 37404; 1738 Hamill Road, Hixson, Tennessee 37343; 5043 and 5205 Little Debbie Parkway, Oolewah, Tennessee 37363; 4312 Holiday Inn Express Way NW, Cleveland, Tennessee 37312; 101 Keith Street, Cleveland, Tennessee 37311; and 3990 Highway 64 East, Murphy, North Carolina 28906 (the "FHB Projects"), all of which are treated as part of the same project, with not more than \$75,000,000 of proceeds of the Bonds to be allocated to such refinancing of such promissory notes;

(3) finance and refinance the cost of the acquisition, construction and equipping of certain capital improvements to the Hospital Facilities, including, but not limited to, the construction for expansion and development of Erlanger Health's Erlanger Baroness and Erlanger East campuses, located at - 975 and 979 East Third Street, Chattanooga, Tennessee 37403; 1751 Gunbarrel Road, Chattanooga, Tennessee 37421 (approximately \$77,000,000); 1738 Hamill Road, Hixson, Tennessee 37343 (approximately \$30,000,000); 5441 TN Highway 153, Hixson, Tennessee 37343; 5953 Elementary Way, Oolewah, Tennessee 37363; 101 Keith Street, Cleveland, Tennessee 37311 (approximately \$10,000,000); and parcel number 056.051.29 located adjacent to Interstate 75, Exit 20 in Cleveland, Bradley County, Tennessee (approximately \$2,500,000) (collectively, the "New Money Projects" and together with the 2014A Projects and the FHB Projects, the "Projects"), all of which are treated as part of the same project with approximately \$110,000,000 of proceeds of the Bonds to be allocated to such costs; and

(4) pay certain costs of issuance related to the Bonds.

The Projects are and will be owned and operated by the Corporation or an affiliate of the Corporation.

The Bonds will not constitute a debt of the State of Tennessee or the State of North Carolina or any political subdivision thereof, including the City of Chattanooga, Tennessee, Hamilton County, Tennessee, the City of Cleveland, Tennessee or the Town of Murphy, North Carolina, but will be payable solely from payments made by the obligated parties under the trust indenture pursuant to which the Bonds will be issued, which obligated party at the time of issuance of the Bonds will be the Corporation, and other amounts specifically pledged therefor under such trust indenture.

This notice is intended to apprise the residents of the City of Chattanooga, Tennessee, Hamilton County, Tennessee, the City of Cleveland, Tennessee and the Town of Murphy, North Carolina of the proposed issuance of the Bonds by the Issuer and the related plan of finance.

All interested parties are invited to present comments at the public hearing regarding the issuance of the Bonds to be held on Monday, June 17, 2024 at 12:30 p.m. Eastern Daylight time, at the offices of the Issuer at 1000 Lindsay Street, Chattanooga, Tennessee 37402 in the John P. Franklin, Sr. Council Building Assembly Room.

The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee

NORTH CAROLINA
Cherokee County

ISSUANCE OF REVENUE BONDS
NOTICE OF PUBLIC HEARING

AFFIDAVIT OF PUBLICATION

Before the undersigned, a Notary Public of said County and state, duly commissioned, qualified, and authorized by law to administer oaths, personally appeared David Brown, who being first duly sworn, deposes and says that he is Publisher engaged in the publication of a newspaper known as the

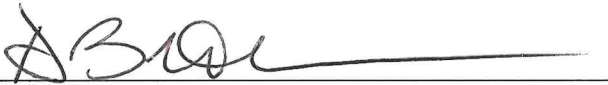
CHEROKEE SCOUT

published, issued, and entered as second class mail in the City of Murphy, in said County and State, that he is authorized to make this affidavit and sworn statement, that the notice or other legal advertisement, a true copy of which is attached hereto, was published in the CHEROKEE SCOUT on the following dates:

06/05/2024

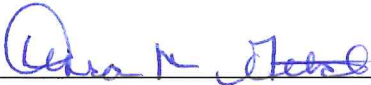
and that the said newspaper in which such notice, paper, document, or legal advertisement was published was, at the time of each and every publication, a newspaper meeting all the requirements and qualifications of Section I-597 of the General Statues of North Carolina and was a qualified newspaper within the meaning of the Section I-597 of the General Statues of North Carolina.

This 6th day of June, 2024



David Brown

Sworn to and subscribed before me this 6th day of June, 2024

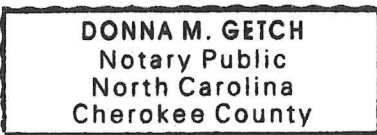


Notary Public

Donna M Getch

My commission expires January 18, 2027

(SEAL)



Ad text :

NOTICE OF PUBLIC HEARING OF THE PROPOSED ISSUANCE OF REVENUE BONDS

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

NOTICE IS HEREBY GIVEN that a public hearing will be conducted concerning the proposed issuance by The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the "Issuer") of its Health System Revenue Bonds (Erlanger Health), Series 2024 in an aggregate principal amount not to exceed \$370,000,000 (the "Bonds") and one or more other issuances or deemed issuances of revenue bonds as part of a plan of finance. The proceeds of the Bonds will be loaned by the Issuer to Erlanger Health, a Tennessee non-profit, public benefit corporation (the "Corporation") and applied to:

(1) refund the Hospital Revenue and Refunding Bonds (Erlanger Health System), Series 2014A issued by the Chattanooga-Hamilton County Hospital Authority (the "Hospital Authority") in the original aggregate principal amount of \$149,920,000 and currently outstanding in the aggregate principal amount of \$147,190,000 (the "Series 2014A Bonds"), for the purpose of financing and refinancing the cost of the acquisition, construction and equipping of certain capital improvements to the hospital facilities known as Erlanger Health System (the "Hospital Facilities"), previously owned and operated by the Hospital Authority and, as of July 1, 2023, owned and operated by the Corporation, including but not limited to, the expansion of Erlanger East Hospital, the construction of a diagnostic cardiac catheterization lab, infusion center and other administrative, support and ancillary services, a Children's and Women's Ambulatory Center, vascular operating rooms and orthopedic center located, all treated as part of the same project and located at - 975 and 979 East Third Street, Chattanooga, Tennessee 37403 and 11751 Gunbarrel Road, Chattanooga, Tennessee 37421 (collectively, the "2014A Projects");

(2) pay all or a portion of the outstanding principal of and interest on certain promissory notes of the Hospital Authority and the Corporation in favor of First Horizon Bank relating to certain loans from First Horizon Bank, the proceeds of which financed the costs of acquiring, constructing and equipping certain improvements to the Hospital Facilities located at - 900, 975, 979 and 1100 East Third Street, Chattanooga, Tennessee 37403 and 1614 and 1751 Gunbarrel Road, Chattanooga, Tennessee 37421; 910 Blackford Street, Chattanooga, Tennessee 37403; 102 Central Avenue, Chattanooga, Tennessee 37403; 632 Morrison Springs Road, Chattanooga, Tennessee 37415; 600 North Holtzclaw Avenue, Chattanooga, Tennessee 37404; 1738 Hamill Road, Hixson, Tennessee 37343; 5043 and 5205 Little Debbie Parkway, Oolewah, Tennessee 37363; 4312 Holiday Inn Express Way NW, Cleveland, Tennessee 37312; 101 Keith Street, Cleveland, Tennessee 37311; and 3990 Highway 64 East, Murphy, North Carolina 28906 (the "FHB Projects"), all of which are treated as part of the same project, with not more than \$75,000,000 of proceeds of the Bonds to be allocated to such refinancing of such promissory notes;

(3) finance and refinance the cost of the acquisition, construction and equipping of certain capital improvements to the Hospital Facilities, including, but not limited to, the construction for expansion and development of Erlanger

Health's Erlanger Baroness and Erlanger East campuses, located at - 975 and 979 East Third Street, Chattanooga, Tennessee 37403; 1751 Gunbarrel Road, Chattanooga, Tennessee 37421 (approximately \$77,000,000); 1738 Hamill Road, Hixson, Tennessee 37343 (approximately \$30,000,000); 5441 TN Highway 153, Hixson, Tennessee 37343; 5953 Elementary Way, Oolewah, Tennessee 37363; 101 Keith Street, Cleveland, Tennessee 37311 (approximately \$10,000,000); and parcel number 056.051.29 located adjacent to Interstate 75, Exit 20 in Cleveland, Bradley County, Tennessee (approximately \$2,500,000) (collectively, the "New Money Projects" and together with the 2014A Projects and the FHB Projects, the "Projects"), all of which are treated as part of the same project with approximately \$110,000,000 of proceeds of the Bonds to be allocated to such costs; and

(4) pay certain costs of issuance related to the Bonds.

The Projects are and will be owned and operated by the Corporation or an affiliate of the Corporation.

The Bonds will not constitute a debt of the State of Tennessee or the State of North Carolina or any political subdivision thereof, including the City of Chattanooga, Tennessee, Hamilton County, Tennessee, the City of Cleveland, Tennessee or the Town of Murphy, North Carolina, but will be payable solely from payments made by the obligated parties under the trust indenture pursuant to which the Bonds will be issued, which obligated party at the time of issuance of the Bonds will be the Corporation, and other amounts specifically pledged therefor under such trust indenture.

This notice is intended to apprise the residents of the City of Chattanooga, Tennessee, Hamilton County, Tennessee, the City of Cleveland, Tennessee and the Town of Murphy, North Carolina of the proposed issuance of the Bonds by the Issuer and the related plan of finance.

All interested parties are invited to present comments at the public hearing regarding the issuance of the Bonds to be held on Monday, June 17, 2024 at 12:30 p.m. Eastern Daylight time, at the offices of the Issuer at 1000 Lindsay Street, Chattanooga, Tennessee 37402 in the John P. Franklin, Sr. Council Building Assembly Room.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA,

TENNESSEE

(818509)

AFFP

Public Hearing-Bonds Issuance

Affidavit of Publication

STATE OF TN }
COUNTY OF BRADLEY } SS

Heather Brown, being duly sworn, says:

That she is Legal Clerk of the Cleveland Daily Banner, a daily newspaper of general circulation, printed and published in Cleveland, Bradley County, TN; that the publication, a copy of which is attached hereto, was published in the said newspaper on the following dates:

June 06, 2024

That said newspaper was regularly issued and circulated on those dates.

SIGNED:

Legal Clerk

Subscribed to and sworn to me this 6th day of June 2024.

Joyce Taylor, Publisher, Bradley County, TN

My commission expires: December 10, 2025

70119302 70975887

KUTAK ROCK LLP (CDB)
3424 Peachtree Rd NE
Suite 900
ATLANTA, GA 30326



LEGAL PUBLICATION

NOTICE OF PUBLIC HEARING OF THE PROPOSED ISSUANCE OF REVENUE BONDS THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

NOTICE IS HEREBY GIVEN that a public hearing will be conducted concerning the proposed issuance by The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the "Issuer") of its Health System Revenue Bonds (Erlanger Health), Series 2024 in an aggregate principal amount not to exceed \$370,000,000 (the "Bonds") and one or more other issuances or deemed issuances of revenue bonds as part of a plan of finance. The proceeds of the Bonds will be loaned by the Issuer to Erlanger Health, a Tennessee non-profit, public benefit corporation (the "Corporation") and applied to:

(1) refund the Hospital Revenue and Refunding Bonds (Erlanger Health System), Series 2014A issued by the Chattanooga-Hamilton County Hospital Authority (the "Hospital Authority") in the original aggregate principal amount of \$149,920,000 and currently outstanding in the aggregate principal amount of \$147,190,000 (the "Series 2014A Bonds"), for the purpose of financing and refinancing the cost of the acquisition, construction and equipping of certain capital improvements to the hospital facilities known as Erlanger Health System (the "Hospital Facilities"), previously owned and operated by the Hospital Authority and, as of July 1, 2023, owned and operated by the Corporation, including but not limited to, the expansion of Erlanger East Hospital, the construction of a diagnostic cardiac catheterization lab, infusion center and other administrative, support and ancillary services, a Children's and Women's Ambulatory Center, vascular operating rooms and orthopedic center located, all treated as part of the same project and located at - 975 and 979 East Third Street, Chattanooga, Tennessee 37403 and 11751 Gunbarrel Road, Chattanooga, Tennessee 37421 (collectively, the "2014A Projects");

(2) pay all or a portion of the outstanding principal of and interest on certain promissory notes of the Hospital Authority and the Corporation in favor of First Horizon Bank relating to certain loans from First Horizon Bank, the proceeds of which financed the costs of acquiring, constructing and equipping certain improvements to the Hospital Facilities located at - 900, 975, 979 and 1100 East Third Street, Chattanooga, Tennessee 37403 and 1614 and 1751 Gunbarrel Road, Chattanooga, Tennessee 37421; 910 Blackford Street, Chattanooga, Tennessee 37403; 102 Central Avenue, Chattanooga, Tennessee 37403; 632 Morrison Springs Road, Chattanooga, Tennessee 37415; 600 North Holtzclaw Avenue, Chattanooga, Tennessee 37404; 1738 Hamill Road, Hixson, Tennessee 37343; 5043 and 5205 Little Debbie Parkway, Ooltewah, Tennessee 37363; 4312 Holiday Inn Express Way NW, Cleveland, Tennessee 37312; 101 Keith Street, Cleveland, Tennessee 37311; and 3990 Highway 64 East, Murphy, North Carolina 28906 (the "FHB Projects"), all of which are treated as part of the same project, with not more than \$75,000,000 of proceeds of the Bonds to be allocated to such refinancing of such promissory notes;

(3) finance and refinance the cost of the acquisition, construction and equipping of certain capital improvements to the Hospital Facilities, including, but not limited to, the construction for expansion and development of Erlanger Health's Erlanger Baroness and Erlanger East campuses, located at - 975 and 979 East Third Street, Chattanooga, Tennessee 37403; 1751 Gunbarrel Road, Chattanooga, Tennessee 37421 (approximately \$77,000,000); 1738 Hamill Road, Hixson, Tennessee 37343 (approximately \$30,000,000); 5441 TN Highway 153, Hixson, Tennessee 37343; 5953 Elementary Way, Ooltewah, Tennessee 37363; 101 Keith Street, Cleveland, Tennessee 37311 (approximately \$10,000,000); and parcel number 056.051.29 located adjacent to Interstate 75, Exit 20 in Cleveland, Bradley County, Tennessee (approximately \$2,500,000) (collectively, the "New Money Projects" and together with the 2014A Projects and the FHB Projects, the "Projects"), all of which are treated as part of the same project with approximately \$110,000,000 of proceeds of the Bonds to be allocated to such costs; and

(4) pay certain costs of issuance related to the Bonds.

The Projects are and will be owned and operated by the Corporation or an affiliate of the Corporation.

The Bonds will not constitute a debt of the State of Tennessee or the State of North Carolina or any political subdivision thereof, including the City of Chattanooga, Tennessee, Hamilton County, Tennessee, the City of Cleveland, Tennessee or the

Town of Murphy, North Carolina, but will be payable solely from payments made by the obligated parties under the trust indenture pursuant to which the Bonds will be issued, which obligated party at the time of issuance of the Bonds will be the Corporation, and other amounts specifically pledged therefor under such trust indenture.

This notice is intended to apprise the residents of the City of Chattanooga, Tennessee, Hamilton County, Tennessee, the City of Cleveland, Tennessee and the Town of Murphy, North Carolina of the proposed issuance of the Bonds by the Issuer and the related plan of finance.

All interested parties are invited to present comments at the public hearing regarding the issuance of the Bonds to be held on Monday, June 17, 2024 at 12:30 p.m. Eastern Daylight time, at the offices of the Issuer at 1000 Lindsay Street, Chattanooga, Tennessee 37402 in the John P. Franklin, Sr. Council Building Assembly Room.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY
OF CHATTANOOGA,

TENNESSEE
June 6, 2024

RESOLUTION AUTHORIZING AND APPROVING ALL DOCUMENTS, INSTRUMENTS, ACTIONS, AND MATTERS NECESSARY OR APPROPRIATE FOR, OR PERTAINING TO, THE ISSUANCE, SALE, AND DELIVERY BY THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE OF ITS HEALTH SYSTEM REVENUE BONDS (ERLANGER HEALTH) IN ONE OR MORE SERIES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$370,000,000

WHEREAS, the Board of Directors of The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the “Issuer”), has met pursuant to proper notice; and

WHEREAS, Erlanger Health is a Tennessee non-profit, public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Corporation”); and

WHEREAS, the Corporation or its affiliate owns and operates the hospital facilities know as Erlanger Health located in and near Chattanooga, Tennessee, including Erlanger Western Carolina Hospital located in Murphy, North Carolina (collectively, the “Hospital Facilities”); and

WHEREAS, the Corporation has requested the Issuer to finance and refinance the following projects (collectively, the “Project”):

(i) the acquisition, construction, improvement, renovation and equipping of certain improvements to the Hospital Facilities, including, but not limited to, the construction for expansion and development of the Corporation’s Erlanger Baroness and Erlanger East campuses located in the City of Chattanooga, Tennessee, and reimbursement for expenditures incurred prior to the date of adoption of this Resolution which are of a type properly chargeable to a capital account under general federal income tax principles or a cost of issuance with respect to the hereinafter defined Bonds;

(ii) refunding all of the outstanding Hospital Revenue and Refunding Bonds (Erlanger Health System), Series 2014A (the “Series 2014A Bonds”) issued by the Chattanooga-Hamilton County Hospital Authority (the “Hospital Authority”), the proceeds of which were used to (a) refund certain outstanding revenue bonds previously issued by the Hospital Authority, the proceeds of which were used to finance or refinance the costs of acquiring, constructing and equipping certain improvements to the Hospital Facilities, (b) pay the costs of acquiring, constructing and equipping certain improvements to the Hospital Facilities and (c) pay certain costs of issuance for the Series 2014A Bonds;

(iii) paying all or a portion of the outstanding principal of and interest on certain promissory notes of the Hospital Authority and the Corporation in favor of First Horizon Bank related to certain loans from First Horizon Bank, the proceeds of which financed the costs of acquiring, constructing and equipping certain improvements to the Hospital Facilities;

(v) amounts required for costs of issuance, including bond insurance premium, if any, and other financing expenses related to the issuance of the hereinafter defined Bonds.

The Project is of the character and will accomplish the purposes of Part 3, Chapter 101, Title 48 of the Tennessee Code Annotated, as amended (the “Act”); *provided that* (1) for any portion of the Project located or to be located in the State of Tennessee but outside of the boundaries of the City of Chattanooga, Tennessee, the Issuer must receive, prior to the issuance of the Bonds, a resolution duly adopted by the governing authority of the county, city or town where such portion of the Project is or will be located

approving the issuance of the Bonds to finance or refinance the costs of such portion of the Project as required by Section 48-101-308(a)(5)(A) of the Act and (2) for any portion of the Project located or to be located outside of the State of Tennessee, including in Murphy, North Carolina, the Corporation must agree to maintain its principal place of business in the State of Tennessee while the Bonds remain outstanding as required by Section 48-101-308(a)(5)(B) of the Act; and

WHEREAS, the Issuer proposes to finance and refinance the Project by the issuance and sale of its revenue bonds in one or more series in an amount not to exceed \$370,000,000; and

WHEREAS, the Issuer has held a public hearing with respect to the issuance of the hereinafter defined Bonds, as required under Section 147(f) of the Code; and

WHEREAS, there have been submitted to the Issuer at this meeting the forms of the following instruments which the Issuer proposes to execute to carry out the transactions described above, copies of which instruments shall be filed with the records of the Issuer:

(a) Bond Indenture (the “Indenture”) between the Issuer and U.S. Bank Trust Company, National Association, as bond trustee (the “Bond Trustee”);

(b) The forms of the Issuer’s Health System Revenue Bonds (Erlanger Health), Series 2024 in one or more series in the forms attached to the Indenture (the “Bonds”);

(c) Loan Agreement (the “Loan Agreement”) between the Issuer and the Corporation, to provide for the loan of the proceeds of the Bonds to the Corporation and for the repayment of such loan;

(d) Contract of Purchase (the “Purchase Agreement”) by and among the Issuer, the Corporation, and Morgan Stanley & Co. LLC, on behalf of itself and as representative of J.P. Morgan Securities LLC, as underwriters (the “Underwriters”); and

(e) A Preliminary Official Statement (the “Preliminary Official Statement”) relating to the issuance and sale of the Bonds.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE COUNTY OF MEMPHIS:

1. It is hereby found and determined that the financing and refinancing of the Project will assist the Corporation in connection with providing health care facilities and promoting the purposes of the Act; *provided that* (1) for any portion of the Project located or to be located in the State of Tennessee but outside of the boundaries of the City of Chattanooga, Tennessee, the Issuer must receive, prior to the issuance of the Bonds, a resolution duly adopted by the governing authority of the county, city or town where such portion of the Project is or will be located approving the issuance of the Bonds to finance or refinance the costs of such portion of the Project as required by Section 48-101-308(a)(5)(A) of the Act and (2) for any portion of the Project located or to be located outside of the State of Tennessee, including in Murphy, North Carolina, the Corporation must agree to maintain its principal place of business in the State of Tennessee while the Bonds remain outstanding as required by Section 48-101-308(a)(5)(B) of the Act.

2. It is hereby found to be most advantageous to sell the Bonds, upon the terms and conditions set forth in the Purchase Agreement.

3. The Chair or Vice Chair of the Issuer is hereby authorized and directed to execute and either is authorized to deliver the Purchase Agreement to the other parties thereto.

4. The Chair or Vice Chair of the Issuer is hereby authorized and directed to execute, and the Secretary or Assistant Secretary of the Issuer is authorized to attest, and either is authorized and directed to deliver the Indenture to the Bond Trustee.

5. The Chair or Vice Chair of the Issuer is hereby authorized and directed to execute, and the Secretary or Assistant Secretary of the Issuer is authorized to attest, and either is authorized to deliver the Loan Agreement to the Corporation and the Bond Trustee.

6. The Chair or Vice Chair of the Issuer is hereby authorized and directed to execute by facsimile or manual signature, attested by the facsimile or manual signature of its Secretary or Assistant Secretary, and either is authorized and directed to deliver the Bonds to the Bond Trustee for authentication and delivery to the Underwriters thereof upon payment of the purchase price therefor.

7. The Issuer hereby approves the preparation and distribution of the Preliminary Official Statement in connection with the sale of the Bonds. The Issuer hereby authorizes the preparation of an Official Statement in substantially the same form as the Preliminary Official Statement with such changes as are necessary to finalize and complete the Preliminary Official Statement. Nothing herein shall constitute the approval by the Issuer of the form of the Preliminary Official Statement, the Official Statement or the information contained therein other than information directly relating to the Issuer contained therein. The Chair of the Issuer is hereby authorized to execute such certificates as are requested to deem the Preliminary Official Statement as final as of its date within the meaning of Rule 15c2-12 under Securities Exchange Act of 1934.

8. The Purchase Agreement, the Indenture, the Loan Agreement and the Bonds shall be in substantially the forms submitted, which are hereby approved, with such completions, omissions, insertions and changes as may be approved by the officers executing them, their execution to constitute conclusive evidence of their approval of any such omissions, insertions and changes. In order to permit the financing of the Project in one or more phases, the Issuer hereby approves the issuance of the Bonds in one or more series on one or more closing dates. In connection therewith, the Issuer hereby approves the preparation and execution of one or more supplemental indentures and loan agreements in the form contemplated and permitted under the Indenture and Loan Agreement, one or more bond purchase agreements in a substantially similar form as the Purchase Agreement, and one or more preliminary official statements and official statements in substantially similar forms as the Preliminary Official Statement and Official Statement referenced above, provided that such documents shall be subject to the review and approval of the Issuer's legal counsel and the officer(s) executing such documents. In connection with the execution of the Purchase Agreement, any additional bond purchase agreements, the Indenture, any supplemental indenture and other applicable documents, the officer(s) are hereby expressly authorized to approve the maturities and interest rates on the Bonds, provided that none of the interest rates on the Bonds may exceed the maximum interest rate permitted by law, the aggregate principal amount of the Bonds shall not exceed \$370,000,000 and the final maturity of the Bonds shall be no later than the maximum term permitted by law.

9. The officers of the Issuer are hereby authorized and directed to execute, deliver and file all agreements, certificates and instruments, including Internal Revenue Service Form 8038, financing statements to evidence security interests created under the Indenture, a tax agreement relating to the exclusion from gross income of interest on the Bonds, and an informational statement to be filed with the State of Tennessee, and to take all such further action as they may consider necessary or desirable in connection with the issuance and sale of the Bonds and the financing and refinancing of the Project.

10. Any authorization herein to execute any document shall include authorization to record such document where appropriate.

11. The Bonds, and the interest payable thereon, are limited obligations of the Issuer, and shall not be deemed to constitute a general debt or liability of the Issuer but shall be payable solely from such special sources and funds provided therefor in accordance with the provisions thereof and the provisions of the Indenture.

Neither the State of Tennessee, nor any other political subdivision thereof, shall be liable for the payment of the principal of, or the interest on, the Bonds, or for the performance of any pledge, mortgage, obligation, agreement, or certification, of any kind whatsoever of the Issuer, and neither the Bonds, nor any of the pledges, mortgages, agreements, obligations, or certifications of the Issuer shall be construed to constitute an indebtedness of the State of Tennessee, or any other political subdivision thereof, within the meaning of any constitutional or statutory provisions whatsoever.

No recourse under, or upon, any statement, obligation, covenant, agreement, or certification, contained in any of the foregoing documents, including, without limitation, the Bonds, and the Indenture; or in any other document or certification whatsoever; or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding or by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of the foregoing documents, including, without limitation the Bonds, and the Indenture; or any other document or certification, whatsoever, shall be had against any incorporator, member, director, or officer, as such, past, present, or future, of the Issuer, either directly or through the Issuer, or otherwise, for the payment for, or to, the Issuer, or any receiver thereof, or from, or to, the owner of the Bonds for any sum that may be due and unpaid by the Issuer upon the Bonds, or the interest payable thereon. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such incorporator, member, director, or officer, as such, to respond by reason of any act or omission on his or her part of otherwise for, directly or indirectly, the payment for, or to, the Issuer or any receiver thereof, or for, or to, the owners of the Bonds, of the principal of, or the premium, if any, or interest on, the Bonds shall be deemed to have been waived and released as a condition of, and consideration for, the execution of the aforesaid documents and the issuance of the Bonds.

12. All other acts of the officers of the Issuer which are in conformity with the purposes and intent of this resolution and in furtherance of the issuance and sale of the Bonds and the financing of the Project are hereby approved and confirmed.

[SIGNATURES ON THE FOLLOWING PAGE]

Approved and adopted this 17th day of June, 2024.

**THE HEALTH, EDUCATIONAL AND HOUSING
FACILITY BOARD OF THE CITY OF CHATTANOOGA,
TENNESSEE**

Hicks Armor, Chairman

Attest:

Richard Johnson, Secretary

**RESOLUTION OF THE HEALTH, EDUCATIONAL AND
HOUSING FACILITY BOARD OF THE
CITY OF CHATTANOOGA, TENNESSEE
REGARDING A PAYMENT IN LIEU OF TAXES TRANSACTION
WITH ESPERO CHATTANOOGA LP**

WHEREAS, the Board of Directors of The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the "Board"), has met pursuant to proper notice; and

WHEREAS, to induce Espero Chattanooga LP, a Tennessee limited partnership (the "Company"), to acquire and construct a housing facility for low and moderate-income citizens in Chattanooga, Tennessee (the "Project"), the Board (i) will acquire a leasehold interest in certain real and personal property located in the City of Chattanooga, Tennessee and (ii) will lease said property to the Company on the terms and conditions set forth in the Lease referenced herein; and

WHEREAS, the Project will be located on real property that is leased to the Company by The A.I.M. Center, Inc., a Tennessee nonprofit corporation, pursuant to a ground lease (the "Ground Lease") from A.I.M. to the Company; and

WHEREAS, there has been submitted to the Board a form of Agreement for Payments in Lieu of Ad Valorem Taxes for Low-Income Housing Tax Credit (LIHTC) Project (the "PILOT Agreement") and a form of a lease between the Company and the Board (the "Lease" and, together with the PILOT Agreement, the "PILOT Documents"), which provide for certain payments in lieu of tax as provided therein and which the Board proposes to execute to carry out the transaction described above.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE:

1. It is hereby found and determined that the acquisition and ownership of the Project will promote industry, trade, commerce and housing in the State of Tennessee and will increase the availability of affordable housing and employment in the City of Chattanooga, Tennessee.

(HEB-2024-13)

2. The Chairman or Vice Chairman of the Board is hereby authorized and directed to execute, and, if requested, the Secretary or Assistant Secretary of the Board is authorized to attest, and either is authorized and directed to deliver the PILOT Documents to the Company and to the City of Chattanooga, as applicable.

3. The Chairman or Vice Chairman of the Board is furthermore hereby authorized and directed to execute, and, if requested, the Secretary or Assistant Secretary of the Board is authorized to attest, and either is authorized and directed to deliver such documents as are necessary or appropriate for the Board to accept an assignment or sublease of the Company's interest in the Ground Lease.

4. The Board is hereby authorized and directed to own the Project pursuant to the terms of the Lease.

5. The PILOT Documents shall be in substantially the forms submitted, which are hereby approved, with such completions, omissions, insertions and changes as may be approved by the officer executing them, his or her execution to constitute conclusive evidence of his or her approval of any such omissions, insertions and changes.

6. The officers of the Board are hereby authorized and directed to execute, deliver and file such other certificates and instruments and to take all such further action as they may consider necessary or desirable in connection with the consummation of the transactions described above, including, without limitation, executing such documents as any lender of the Company may request to preserve their liens on the Project.

7. Any authorization herein to execute any document shall include authorization to record such document where appropriate.

8. All other acts of the officers of the Board which are in conformity with the purposes and intent of this resolution are hereby approved and confirmed.

(HEB-2024-13)

I hereby certify that attached hereto is a resolution of The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, duly and lawfully adopted by its Board of Directors on June 17th, 2024, at a meeting at which a quorum was acting throughout and I furthermore certify that such resolution has not been amended or modified in any respect.

Dated: June 17, 2024

THE HEALTH, EDUCATIONAL AND HOUSING
FACILITY BOARD OF THE CITY OF
CHATTANOOGA, TENNESSEE

By: _____
Name: Hicks Armor
Title: Chair

ATTEST:

Richard Johnson, Secretary

38040367.1

(HEB-2024-13)

**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES FOR A LOW-INCOME
HOUSING TAX CREDIT (LIHTC) PROJECT**

THIS AGREEMENT (this “Agreement”) is entered into as of the ____ day of _____, 2024, by and among THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE (the “Board”); ESPERO CHATTANOOGA LP, a Tennessee limited partnership (the “Company”); and the CITY OF CHATTANOOGA, TENNESSEE (the “City”).

W I T N E S S E T H:

WHEREAS, the Company intends to cause the construction and operation of a multi-family residential rental housing facility (the “Project”) to be located at 1815 E. Main Street in Chattanooga, Hamilton County, Tennessee that has received an allocation of federal low income housing tax credits (“LIHTC”) through the Tennessee Housing Development Agency (“THDA”);

WHEREAS, the Company has requested the Board’s assistance in connection with the development of the Project; and

WHEREAS, substantial public welfare benefits to the City and Hamilton County, Tennessee (the “County”) will be derived from the Project through the provision of affordable housing; and

WHEREAS, pursuant to Tenn. Code Ann. § 48-101-312, the Board is authorized to negotiate and receive from any lessee of the Board, without any delegation from the City or the County, payments in lieu of taxes with respect to a project that receives an allocation of LIHTC, provided that the Mayor, as the chief executive officer of the City, has executed a letter supporting the project; and

WHEREAS, as evidenced by the letter dated June ____, 2024, attached hereto as Exhibit A, the Mayor of the City has executed a letter supporting the Project (the “Support Letter”); and

WHEREAS, the Board has agreed to take leasehold title to certain real property that constitutes the Project, as described in Exhibit B attached hereto (the “Property”), and to lease the property to the Company pursuant to a Lease dated as of the date hereof between the Board and the Company (the “Lease”); and

WHEREAS, because leasehold title to the Property is to be owned by the Board during the term of this Agreement, which is a public corporation organized under the provisions of Tennessee Code Annotated § 48-101-301, et seq., all such leasehold interest in the Property will be exempt from ad valorem property taxes (“property taxes”) normally paid to the City and to the County, so long as such leasehold interest in the Property is held by the Board, pursuant to the provisions of Tennessee Code Annotated § 48-101-312; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that the Company make certain payments to the Board in lieu of the payment of property taxes that would otherwise be payable on the Property; and

WHEREAS, the Company has agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property (the “In Lieu Payments”), as more particularly set forth hereinafter.

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Payments in Lieu of Taxes. For the period shown on Exhibit C, the Company shall make In Lieu Payments with respect to the Property in the amounts shown on Exhibit C attached hereto. The intent is for the In-Lieu Payments during the construction and lease-up stage of the Project to be de minimis because the Property has been exempt from property taxes due to its ownership by the City and a non-profit entity. Thereafter, the City will not receive any In-Lieu Payments, and the County shall receive the In-Lieu Payments shown on Exhibit C, which are intended to approximate, for the type of project, the portion of the County's property taxes that otherwise would be payable with respect to taxes imposed for school purposes. The period shown on Exhibit C is called the "Tax Abatement Period". For any periods before or after the Tax Abatement Period that leasehold title in the Property is held by the Board, the Company shall make In Lieu Payments in an amount, equal to one hundred percent (100%) of the amount of taxes that would have been payable on the Property if it were subject to property taxes. The Company shall make all In Lieu Payments payable to the County to the County Trustee and shall make all In Lieu Payments payable to the City to the City Treasurer. The Company shall also make all additional In Lieu Payments, if any, required by the Lease.

2. Penalties and Late Charges. The Company shall make the In Lieu Payments for each year before March 1 of the following year. All In Lieu Payments shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If the Company fails to make any In Lieu Payment when due, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1-1/2%) of the owed amount, for each month that each payment has been unpaid. Such one and one-half percent (1-1/2%) per month late charge amount shall accumulate each month and be payable so long as there remains any outstanding unpaid amount.

(b) If the Company should fail to pay all amounts and late charges due as provided hereinabove, then the Board or the City may bring suit in the Chancery Court of Hamilton County to seek to recover the In Lieu Payments due, late charges, expenses and costs of collection in addition to reasonable attorneys' fees, and if the Company should fail to pay all amounts and late charges due as provided hereinabove beyond the cure period provided in the Lease, the Board may terminate the benefits of this Agreement and thereafter require the Company to pay one hundred percent (100%) of the amount of taxes that would have been payable on the Property.

3. Covenants of Company.

(a) The Company covenants as follows:

(i) The Project will be completed within thirty-six (36) months following the date of this Agreement, subject to any delay caused by a force majeure event.

(ii) After completion of the Project and during the Tax Abatement Period, 100% of the dwelling units in the Project will be set aside for occupancy by households whose income is not greater than 60% of the area median income as annually defined in the most recent guidelines published by the United States Department of Housing and Urban Development (the "Affordability Requirement").

(iii) After completion of the Project and during the Tax Abatement Period, the Company shall maintain the Project as provided in the Lease, but in any event in a habitable condition and in compliance with all applicable City and County ordinances and codes.

4. Affordability Requirements. If the Company should fail to meet the Affordability Requirement under Section 3(a)(ii) above with respect to the Project and such failure continues for a period of more than one hundred eighty (180) days following receipt by the Company of written notice from the Board specifying such failure in reasonable detail (an "Affordability Event of Default"), the Board may then require the Company to pay an amount determined by multiplying the taxes that would otherwise have been payable with respect to the Property if the Property were owned by the Company during the period of the continuance of such Affordability Event of Default by a fraction (expressed as a percentage), the denominator of which is the number of dwelling units at the Project subject to the Affordability Requirement and the numerator of which is the number of dwelling units that are not occupied by or available for occupancy by households whose income is not greater than 60% of the area median income as annually defined in the most recent guidelines published by the United States Department of Housing and Urban Development. In no event shall the Company be required to pay more in In Lieu Payments than the Company would have paid in property taxes if the Property were owned by the Company and subject to property taxes.

5. Use of Payments. All In-Lieu Payments received by the City or County under this Agreement may be deposited in such fund or funds as the City or County deems appropriate, and the Company shall have no control over the use of such funds.

6. Annual Report. The Company will provide, on or before February 15 of each calendar year during this Agreement following the date the Project is placed in service, (i) a copy of the Owner's Annual Certification of Compliance that the Company has provided to THDA for the prior calendar year, and (ii) a certification of the Company as to the Company's compliance with the covenants set forth in Section 3. An independent audit of these certifications may occur if requested by the City. All PILOT agreements shall be subject to an annual review and report of status to the City Council and County Commission.

7. Appraisal and Assessment of Property. For purposes of administering this Agreement, the City will request the County Tax Assessor to cause the Property to be appraised and assessed in accordance with the Constitution and laws of the State of Tennessee as though the Property were subject to property taxes and will request the County Tax Assessor to provide written notice of any changes in appraisals of the Property to the City, the Board and the Company in the same manner that notices are given to owners of the taxable property.

8. Lien on Property. Any amounts which remain payable under this Agreement shall become a lien on the Property, and such lien shall be enforceable against the Property in the event that any payment owing hereunder is not timely made in accordance with this Agreement.

9. Term. This Agreement shall become effective on the date that the Board attains title to the Property and shall continue for so long as the Board holds title to any of the Property or the Company has made all payments required hereunder, whichever shall later occur.

10. Leasehold Taxation. If the leasehold interest of the Company should be subject to ad valorem taxation, then any amounts assessed as taxes thereon shall be credited against any In Lieu Payments due hereunder.

11. Stormwater Fees. In addition to other requirements under this Agreement, the Company shall be responsible for all stormwater fees assessed by the City with respect to the Property.

12. Notices. All notices and other communications provided for hereunder shall be written and provided in the manner provided in the Lease.

13. No Waiver; Remedies. No failure on the part of any party hereto, and no delay in exercising any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

14. Assignment. The Company may only assign this Agreement to an assignee who is a permitted assignee of the Lease and who has assumed the Company's objectives under the Lease.

15. Severability. In the event that any clause or provision of this Agreement shall be held to be invalid by any court or jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions of this Agreement.

16. No Liability of Board's Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, director or officer, as such, of the Board, whether past, present or future, either directly or through the Board. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

17. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

18. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

19. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

[Signature Page Follows]

THE HEALTH, EDUCATIONAL AND HOUSING
FACILITY BOARD OF THE CITY OF
CHATTANOOGA, TENNESSEE

ATTEST:

By: _____
Richard Johnson, Secretary

By: _____
Hicks Armor, Chairman

ESPERO CHATTANOOGA LP

By: [Espero General Partner]

By: _____
Name:
Title:

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

EXHIBIT A

(MAYOR SUPPORT LETTER)

EXHIBIT B

(PROPERTY DESCRIPTION)

EXHIBIT C
TO AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES

(Espero Chattanooga LP)

Construction/Lease-Up Period*: \$1 per year payable to the City

Year 1 through Year 5: \$35,000 per year

Year 6 through Year 10: \$40,000 per year

Year 11 through Year 15: \$45,000 per year

Year 16 through Year 20: \$50,000 per year

*Year 1 shall commence at the point of stabilization (defined as 80% occupied or above) or no more than 36 months from the start of construction, whichever comes first.

37957159.3

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF
THE CITY OF CHATTANOOGA, TENNESSEE
(a Tennessee public nonprofit corporation)

TO

ESPERO CHATTANOOGA LP
(a Tennessee limited partnership)

LEASE

DATED AS OF _____, 2024

LEASE

This Lease (the "Lease"), is entered into as of the ___ day of _____, 2024, by and between THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, a public nonprofit corporation organized and existing under the laws of the State of Tennessee ("Lessor"), and ESPERO CHATTANOOGA LP, a Tennessee limited partnership ("Lessee").

WITNESSETH:

WHEREAS, Lessor is a public nonprofit corporation and a public instrumentality of the City of Chattanooga, Tennessee, and is authorized under Sections 48-101-301 to 48-101-318, inclusive, Tennessee Code Annotated, as amended (the "Act"), to acquire, whether by purchase, exchange, gift, lease, or otherwise, and to own, lease and dispose of properties for certain purposes identified in the Act; and

WHEREAS, Lessor has sublet pursuant to a sub-ground lease, the real property described as Exhibit A attached hereto (the "Leased Land") and therefore has a Leasehold interest in such Leased Land; and

WHEREAS, in order to encourage Lessee to cause the construction and operation of a multi-family residential rental housing facility for low- and moderate-income persons to be located in the City of Chattanooga, Tennessee (the "Project"), thereby furthering the purposes of the Act, Lessor desires to lease to Lessee and Lessee desires to rent from Lessor the Leased Land, together with the improvements constructed thereon, on the terms and conditions hereof; and

NOW, THEREFORE, Lessor, for and in consideration of the payments hereinafter stipulated to be made by Lessee, and the covenants and agreements hereinafter contained to be kept and performed by Lessee, does by these presents demise, lease and let unto Lessee, and Lessee does by these presents hire, lease and rent from Lessor, for the Term (as defined below) and upon the conditions hereinafter stated, the real property described in Exhibit A attached hereto, together with all facilities and improvements now existing or hereafter constructed thereon by Lessee or otherwise;

UNDER AND SUBJECT, however, to deed restrictions, covenants, easements, reservations, rights of way and other encumbrances applicable to the real property to be leased and existing as of the date hereof and any other encumbrance hereafter existing that is not created by Lessor; and

UNDER AND SUBJECT to the following terms and conditions:

ARTICLE I.

Definitions

Section 1.01 In addition to the words, terms and phrases elsewhere defined in this Lease, the following words, terms and phrases as used in this Lease shall have the following respective meanings:

"Act" shall mean Sections 48-101-301 to 48-101-318, inclusive of Tennessee Code Annotated, as amended.

"Basic Rent" shall mean the amounts described in Section 4.01.

"Buildings" shall mean the Buildings to be constructed on the Leased Land by Lessee pursuant to Article XI.

"City" shall mean the City of Chattanooga, Tennessee.

"Completion Date" shall mean the earlier of (i) the third anniversary of the commencement of construction on the Project, subject to any delays caused by Force Majeure, or (ii) the date that the Project has achieved stabilization, as evidenced by the achievement of at least 80% occupancy. Lessee shall provide a certificate to Lessor evidencing the Completion Date no later than thirty (30) days after the occurrence of the Completion Date.

"County" shall mean Hamilton County, Tennessee.

"Force Majeure" means fires, floods, inability to obtain materials, conditions arising from governmental orders or regulations, war or national emergency, acts of God, and any other cause, similar or dissimilar, beyond the applicable party's reasonable control. Where this Lease expressly provides that a party's obligations are subject to Force Majeure, then delay or non-performance on the part of such party will be excused upon the occurrence and during the continuance of such event of Force Majeure, provided that such party promptly gives the other party written notice of the occurrence and abatement of such event of Force Majeure.

"Investor Limited Partner" shall mean [_____, a _____], and its successors and assigns.

"Lease" shall mean this instrument as originally executed or as it may from time to time be supplemented or amended by one or more instruments supplemental hereto.

"Leased Land" shall mean the real property described in Exhibit A attached hereto.

"Leased Property" shall mean the Leased Land, together with the Buildings and related improvements.

"Lender" shall mean [_____, a _____], and its successors and assigns.

"Lessee" shall mean Espero Chattanooga LP, a Tennessee limited partnership.

"Lessor" shall mean The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, a Tennessee public nonprofit corporation.

"PILOT Agreement" shall mean that certain Agreement for Payments in Lieu of Ad Valorem Taxes for a Low-Income Housing Tax Credit (LIHTC) Project by and among Lessor, Lessee and the City dated as of the date hereof.

"Tax Year" shall mean each annual period beginning on January 1 of each year and ending on December 31 of that year.

"Term" shall mean the term described in Article III.

ARTICLE II.
Representations of Lessee

Section 2.01 Lessee makes the following representations and warranties to induce Lessor to enter into this Lease:

(a) Lessee is a limited partnership duly formed, existing and in good standing under the laws of the State of Tennessee, has full power and authority to enter into this Agreement and to perform all obligations contained herein and therein, and has, by proper action, been duly authorized to execute and deliver this Lease and, when executed and delivered by the parties thereto, this Lease will constitute the valid and binding obligation of Lessee enforceable in accordance with its terms.

(b) Neither the execution and delivery of this Lease, nor the consummation of the transactions contemplated herein by Lessee, nor the fulfillment of or compliance with the terms and conditions of this Lease, does or will conflict with or result in a breach of the terms, conditions or provisions of any restriction or internal governing document of Lessee or any agreement or instrument to which Lessee is now a party or by which it is bound, or any existing law, rule, regulation, judgment, order or decree to which it is subject, or constitutes a default under any of the foregoing or, except as contemplated hereby, results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Lessee under the terms of any instrument or agreement.

(c) There are no proceedings pending, or to the knowledge of Lessee threatened, against or affecting Lessee in any court or before any governmental authority, arbitration board or tribunal which involve the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of Lessee, or the ability of Lessee to perform its obligations under this Lease. Lessee is not in default with respect to an order of any court, governmental authority, arbitration board or tribunal.

(d) No event has occurred and no condition exists with respect to Lessee that would constitute an Event of Default under this Lease, as defined in Article XIII, or which, with the lapse of time or with the giving of notice, or both, would become such an Event of Default.

(e) To the knowledge of Lessee, and in reliance upon, and except as disclosed in, an independent third-party report obtained by Lessee, there are no substances, materials, wastes, pollutants or contaminants located on the Leased Property that are regulated under any environmental law or regulation except those materials and substances that are maintained in compliance with such laws and regulations, and Lessee shall not permit material quantities of such substances, materials, wastes, pollutants or contaminants to exist on the Leased Property during the Term of this Lease except in compliance with such laws and regulations.

ARTICLE III.

Lease Term

Subject to the provisions contained in this Lease, this Lease shall be in full force and effect for a Term commencing on the date hereof and ending on the twentieth (20th) anniversary of the Completion Date, unless terminated earlier in accordance with the terms hereof. Lessee shall provide a certificate to Lessor evidencing the Completion Date no later than thirty (30) days after the occurrence of the Completion Date.

Notwithstanding the foregoing, the Term of this Lease shall be terminated upon exercise by Lessee of the purchase option described in Article XIV hereof.

ARTICLE IV.

Rent

Section 4.01 Basic Rent. Lessee will pay to Lessor without notice or demand, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of

public and private debts, as Basic Rent on each January 1 during the Term, the sum of \$1.00. Lessor acknowledges that Lessee has prepaid the Basic Rent for the Term on the date hereof.

Section 4.02 Additional Rent. Lessee agrees to pay, as additional rent, all other amounts, liabilities and obligations which Lessee herein assumes or agrees to pay, pursuant to the terms of this Lease.

ARTICLE V.

Compliance with Laws; Permitted Contests; Lessee's Acceptance of Leased Property; Reports; Net Lease

Section 5.01 Compliance with Laws. Lessee shall throughout the Term and at no expense to Lessor promptly cure any violations under all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities, which are or shall become lawfully applicable to the Leased Property, the repair and alteration thereof, and the use or manner of use of the Leased Property, whether or not such laws, ordinances, orders, rules, regulations and requirements are foreseen or unforeseen, ordinary or extraordinary, and whether or not they shall involve any change of governmental policy or shall require structural or extraordinary repairs, alterations or additions, irrespective of the cost thereof.

Section 5.02 Permitted Contests. Lessee shall not be required to comply or cause compliance with the laws, ordinances, orders, rules, regulations or requirements referenced in Section 5.01, so long as Lessee shall, at Lessee's expense, contest the same or the validity thereof in good faith, by appropriate proceedings. Such contest may be made by Lessee in the name of Lessor or of Lessee, or both, as Lessee shall determine and Lessor agrees that it will, at Lessee's expense, cooperate with Lessee in any such contest to such extent as Lessee may reasonably request. It is understood, however, that Lessor shall not be subject to any liability for the payment of any costs or expenses (including attorneys' fees) in connection with any such proceeding brought by Lessee, and Lessee covenants to pay, and to indemnify and save harmless Lessor from, any such costs or expenses.

Section 5.03 Acceptance of Leased Property. Lessee acknowledges that, as between Lessor and Lessee, it has examined the Leased Land described in Exhibit A attached hereto and the remaining Leased Property and the state of Lessor's title thereto prior to the making of this Lease and knows the condition and state thereof, including, without limitation, the environmental and soil conditions, as of the first day of the term of this Lease, and accepts the same in said condition and state; that no representations as to the condition or state thereof have been made by representatives of Lessor; and that in entering into this Lease, Lessee is relying solely upon its own examination thereof.

Section 5.04 Net Lease. This is a "net lease" and the Basic Rent, Additional Rent and all other sums payable hereunder to or for the account of Lessor shall be paid promptly and without set off, counterclaim, abatement, suspension, deduction, diminution or defense.

ARTICLE VI.

Title and Tax Benefits

Section 6.01 No Conveyance of Title by Lessor. Lessor covenants and agrees that, except as set forth herein, during the Term of this Lease, it will not convey, pledge, encumber or suffer or permit the conveyance of, by any voluntary act on its part, its title to the Leased Property to any person, firm, corporation, or other entity whatsoever, irrespective of whether any such conveyance or attempted conveyance shall recite that it is expressly subject to the terms of this Lease unless such conveyance is consented, in writing, to by Lessee and its mortgagee. Lessor will not create any lien, encumbrance or charge upon its interest in the Leased Property except for any such lien, encumbrance or charge otherwise created by this Lease or consented to by Lessee.

Section 6.02 Tax Benefits. The parties hereto acknowledge and agree that, during the Term, Lessee shall be deemed to exclusively own the Leased Property for federal tax purposes and Lessee alone shall be entitled to all federal and state tax attributes of ownership thereof, including, without limitation, the right to claim deductions for depreciation or cost recovery, the right to claim the federal low-income housing tax credits available to the Lessee under Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”) and the right to amortize capital costs and to claim any other federal or state tax benefits attributable to the Leased Property. Lessor shall execute and deliver other and further certificates, documents, and amendments to this Lease (of the sale expense of Lessee) as reasonably requested by Lessee to confirm and establish that Lessee is the owner of the Leased Property for federal income and state franchise and excise tax purposes.

Section 6.03 Taxation of Improvements. This Lease with the PILOT Agreement, is intended to be a lawful agreement between the Lessee and Lessor, as an instrumentality of a local government, for payments in lieu of taxes and therefore, all improvements on the Leased Land are assessed solely to Lessor and are subject to all applicable exemptions, all in accordance with Tennessee Code Annotated § 67-5-502(d).

ARTICLE VII.

Taxes and Other Charges

Section 7.01 Taxes and Other Governmental Charges. Lessee agrees, subject to the provisions of Section 7.04, to pay and discharge, as additional rent, punctually as and when the same shall become due and payable without penalty, all ad valorem taxes that at any time during the Term shall be or become due and payable by Lessor or Lessee and that shall be levied, assessed or imposed upon, or that shall be or become liens upon, the Leased Property or any portion thereof or any interest of Lessor or Lessee therein, under and by virtue of any present or future law, statute, regulation or other requirement of any governmental authority.

Section 7.02 Lessee Subrogated to Lessor's Rights. To the extent of any payments of additional rent by Lessee under this Article VII, Lessee shall be subrogated to Lessor's rights in respect to the proceedings or matters relating to such payments, and any recovery in such proceedings or matter shall be used to reimburse Lessee for the amount of such additional rent so paid by Lessee.

Section 7.03 Utility Services. Lessee agrees that Lessor is not, nor shall it be, required to furnish to Lessee or any other user of the Leased Property any gas, water, sewer, electricity, light, heat, power or any other facilities, equipment, labor, materials or services of any kind pursuant to this Lease, Lessee agrees that it shall arrange for all such services and shall pay all costs and expenses related to the foregoing.

Section 7.04 Payments in Lieu of Taxes.

(a) Recognition of Tax Status. Lessee recognizes that under present law, including specifically Section 48-101-312 of Tennessee Code Annotated, the properties owned by Lessor are exempt from all taxation in the State of Tennessee.

(b) Payments in Lieu of Taxes. In addition to Basic Rent and Additional Rent hereunder, Lessee and Lessor agree that Lessee shall make payments in lieu of taxes to the City and the County in accordance with the terms of the PILOT Agreement.

Amounts payable with respect to any partial Tax Years included within the Term will be prorated based upon the actual number of days included within such Tax Year. Any payment due with respect to a Tax Year that is not paid prior to the termination or expiration of this Lease shall not be extinguished as a result of such termination or expiration and shall survive such termination or expiration.

Notwithstanding anything to the contrary contained in this Section, this Lease shall not be extended except pursuant to an amendment in writing and executed by both the Lessor and Lessee. Any reduction in taxes pursuant to this Lease and the PILOT Agreement shall not apply with regard to any other tax assessed against Lessee, its income, its other real property or its personalty. In the event Lessee assumes ownership of the Leased Property, Lessee shall begin paying all applicable ad valorem and other taxes directly to the City and the County, as assessed, but shall not make, from the date of such acquisition, any in lieu payments with respect to such property other than those payments that were unpaid at the time of such acquisition.

Notwithstanding anything to the contrary contained in this Section or in the PILOT Agreement, in the event that Lessee fails to complete the construction of the Buildings in accordance with Article XI hereof or the Leased Property becomes ineligible for federal low-income housing tax credits due to a violation of the use restrictions (related to federal low-income housing tax credits) applicable to the Leased Property, then Lessee shall make a payment in lieu of taxes with respect to each Tax Year remaining in the Term on behalf of the Lessor to the City and the County in an amount equal to the ad valorem taxes that would otherwise be payable with respect to the Leased Property if such Leased Property were owned by Lessee.

(c) Credit for Taxes Paid. Nothing contained in this Section 7.04 or the PILOT Agreement is intended or shall be construed to require the payment by Lessee of any greater amounts in lieu of taxes than would be payable as taxes if the Leased Property were owned by Lessee. It is accordingly understood and agreed that the amount payable by Lessee in any year pursuant to the PILOT Agreement or under the provisions of this Section 7.04 shall be reduced by the amount of any ad valorem taxes lawfully levied upon the Leased Property or any part thereof, or upon Lessee's leasehold estate therein, and actually paid by Lessee pursuant to the requirements of Section 7.01 hereof to the City and the County and to the extent that any such tax payments paid by Lessee pursuant to the requirements of Section 7.01 hereof for any year shall exceed the in-lieu-of-tax payments for such year otherwise provided in this Section 7.04 the amount payable by Lessee in any subsequent year under the provisions of this Section 7.04 shall be reduced by such excess amount.

(d) Reports. In addition to any reports required pursuant to the PILOT Agreement, on behalf of Lessor, Lessee shall, during the term of this Lease, submit on or before October 1 of each year to the Tennessee State Board of Equalization the annual report required to be submitted by it pursuant to the Act and shall also submit such other reports that may be required by applicable law relating to this Lease.

(e) Payment Upon Termination or Expiration. Upon the termination of this Lease for any reason during a Tax Year, Lessee shall pay a pro-rated amount of the payments in lieu of taxes, if any, required by this Section 7.04 for the period that this Lease is in effect and for which no payments in lieu of taxes have been made up to the date of such termination.

(f) Cessation of Operations. In the event Lessee ceases the active operation (excluding temporary cessations due to Force Majeure events) of a multi-family residential rental housing facility for eligible residents at the Leased Property, and notwithstanding any provision herein to the contrary, Lessee shall make payments in lieu of taxes beginning as of the date Lessee ceases such operation equal to the ad valorem taxes that Lessee otherwise would have been required to make with respect to the Leased Property if the Leased Property was owned by Lessee.

(g) Tax on Additional Improvements. The payments in lieu of taxes payable under the PILOT Agreement shall only apply to the Leased Land and the Building and related improvements to be constructed pursuant to Article XI. In the event Lessee constructs improvements on the Leased Land, Lessee shall make payments in lieu of taxes to the appropriate taxing jurisdictions with respect to such

additional improvements in an amount equal to the ad valorem taxes that would otherwise be payable by Lessee if Lessee was the owner of such additional improvements unless the parties hereto agree in writing to the contrary.

Section 7.05 Permitted Contests. Lessee shall not be required to pay any tax or assessment against the Leased Property or any part thereof, so long as Lessee shall, at Lessee's expense, contest the same or the validity thereof in good faith, by appropriate proceedings which shall operate to prevent the collection of the tax or assessment so contested or resulting from such contest and the sale of the Leased Property or any part thereof to satisfy the same. Such contest may be made by Lessee in the name of Lessor or of Lessee, or both, as Lessee shall determine, and Lessor agrees that it will, at Lessee's expense, cooperate with Lessee in any such contest to such extent as Lessee may reasonably request. It is understood, however, that Lessor shall not be subject to any liability for the payment of any costs or expenses (including attorneys' fees) in connection with any such proceeding brought by Lessee, and Lessee covenants to pay, and to indemnify and save harmless Lessor from, any such costs or expenses.

ARTICLE VIII.
Maintenance and Repair

Lessor shall not be required to rebuild or to make any repairs, replacements or renewals of any nature or description to the Leased Property or to make any expenditures whatsoever in connection with this Lease or to maintain the Leased Property in any way. Lessee expressly waives the right contained in any law now or hereafter in effect to make any repairs at the expense of Lessor.

Lessee shall keep and maintain in good order, condition and repair (including any such repair as is required due to fire, storm or other casualty) the Leased Property and every part thereof and any and all appurtenances thereto. Lessee shall save Lessor harmless on account of claims for mechanics and materialmen's liens in connection with any work by Lessee, and any such liens shall exist only against Lessee's leasehold interest and shall be discharged, by bond or otherwise, within sixty (60) days after filing. Lessee shall keep and maintain the Leased Property in accordance with all directions, rules and regulations of the proper officials of the government agencies having jurisdiction, at the sole cost and expense of Lessee, provided that Lessee shall not be required to repair or restore the Leased Property following material damage from a fire or other casualty, provided, however, in such case Lessee shall remove any debris from the Leased Property following a fire or other casualty and make the Leased Property safe and attractive.

ARTICLE IX.
Condemnation

If during the Term, all or any part of the Leased Property be taken by the exercise of the power of eminent domain or condemnation, Lessee shall be entitled to and shall receive the entire award for the taking. If title to or control of all of the Leased Property shall be taken by the exercise of the power of eminent domain or condemnation, or if such use or control of a substantial part of the Leased Property shall be taken as to result in rendering a substantial part of the Leased Property untenable or of materially reduced value to Lessee, Lessee may terminate this Lease and exercise the purchase option pursuant to Article XV by giving written notice to the Lessor and thereafter shall have no further liability hereunder except as specifically provided herein, provided, as a condition of such termination, Lessor may require Lessee to remove all or a portion of the improvements from the remaining portion of the Leased Property.

ARTICLE X.

Insurance and Indemnification

Section 10.01 Insurance. Lessee shall carry commercial general liability insurance covering the Leased Property and the use and occupancy of the same in a company or companies licensed to do business in Tennessee under a policy satisfactory to Lessor both as to amount and coverage and shall provide evidence of same to Lessor. Lessor shall be listed as an additional insured on such policy. Lessee shall also insure all improvements on the Leased Property at their full replacement value, with Lessor being included as an additional insured, and Lessee shall provide evidence of same to Lessor. Each policy described above shall not be canceled without first giving Lessor not less than thirty (30) days prior written notice. Lessee shall provide to Lessor evidence of all insurance policies contemplated by this Section, including, upon request, annual certificates of continued coverage.

Section 10.02 Indemnification. Lessee covenants and agrees, at its expense, to pay, and to indemnify and save Lessor and its directors, agents and employees (collectively, the "Indemnified Parties") harmless against and from any and all claims by or on behalf of any person, firm, corporation, or governmental authority, arising from the occupation, use, possession, conduct or management of or from any work or activity done in or about the Leased Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Leased Property or the occupancy or use thereof. Lessee also covenants and agrees, at its expense, to pay, and to indemnify and save the Indemnified Parties harmless against and from, any and all claims, costs or expenses arising from (i) any condition, including any environmental condition, now existing or hereafter arising, on the Leased Property, (ii) any breach or default on the part of Lessee in the performance of any covenant or agreement to be performed by Lessee pursuant to this Lease, (iii) any act or negligence of Lessee, or any of its agents, contractors, servants, employees or licensees, (iv) any disputes, demands or claims related to the title of the Leased Land or any liens or other encumbrances affecting the Leased Land (other than claims originating from an action in violation of Section 6.01 hereof), or (v) any accident, injury or damage whatever caused to any person, firm or corporation in or about the Leased Property and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in this Section. In the event that any action or proceeding is brought against any Indemnified Party by reason of any such claims, Lessee, upon notice from such Indemnified Party, covenants to resist or defend such action or proceeding. Notwithstanding anything in this Lease to the contrary, Lessee shall not be required to indemnify any of the Indemnified Parties in the event of any acts of gross negligence or willful misconduct or intentional misconduct of any of the Indemnified Parties or for any claim or liability which the Indemnified Parties was not given the opportunity to contest. The indemnification provided shall survive termination of this Lease.

ARTICLE XI.

Construction of Buildings; Alterations

Lessee shall have the right to construct buildings and other improvements on the Leased Land from time to time and to make additions to and alterations of any such buildings and improvements and any existing buildings and improvements. All work done in connection with such additions, alterations, improvements or construction shall be done promptly, and in good and workmanlike manner, and in compliance with all applicable laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments and the appropriate departments, commissions, boards and offices thereof. Lessee shall maintain or cause to be maintained, at all times when any work is in process in connection with such additions, alterations, improvements or construction, workmen's compensation insurance

covering all persons employed in connection with such work and with respect to whom death or bodily injury claims could be asserted against Lessor, Lessee or the Leased Property.

Lessee covenants and agrees at its expense to cause the construction of apartment buildings and improvements located on the Leased Land in the manner described in Lessee's LIHTC application to THDA and its application to the City to enter into the PILOT Agreement (the "Buildings"), and in connection therewith, Lessee agrees to incur capital expenditures for the acquisition of the Leased Land and the construction and equipping of the Buildings in the manner presented to Lessor. It is understood and agreed that the Buildings, together with all other improvements or fixtures from time to time placed on the Leased Land, shall become the property of Lessor and part of the Leased Property, subject to the purchase option set forth in Article XIV. The cost of the acquisition and construction of the Buildings borne by Lessee shall be treated as additional rent payable by Lessee under this Lease. Lessee agrees to complete the construction and renovation of the Buildings prior to the third anniversary hereof, provided that such time period shall be extended in the event of an event of Force Majeure.

ARTICLE XII.

Subletting, Assignments and Mortgaging

Section 12.01 Assignment Generally. Except for (i) leases in the ordinary course of business or otherwise desirable for operation of a residential rental housing facility, (ii) a leasehold deed of trust pursuant to which Lessee mortgages its leasehold estate in the Leased Property, (iii) removal of the general partner of Lessee in accordance with the terms of its partnership agreement (the "Partnership Agreement") or by Lender pursuant to the loan documents related to the loan from Lender to the Lessee (the "Loan Documents") so long as any new general partner of Lessee is approved by Lessor, such approval not to be unreasonably withheld, conditioned or delayed, and shall be provided or withheld within forty-five (45) days of the date of the request or shall be deemed approved; provided, however, if the new general partner of Lessee is an affiliate of the Investor Limited Partner, approval of the Lessor shall not be required, and (iv) any other transfer of a partnership interest of Lessee in accordance with the terms of its Partnership Agreement or by the Lender pursuant to the Loan Documents so long as (A) a current general partner of Lessee or an affiliate thereof remains a direct or indirect partner of Lessee or (B) the transferee is approved by Lessor, such approval not to be unreasonably withheld, conditioned or delayed, and shall be provided within sixty (60) days of the date of request or shall be deemed approved (each of the foregoing being a "Permitted Transfer" which shall not require Lessor's consent), Lessee shall not have the right to sublet the Leased Property or assign or otherwise transfer its rights and interest hereunder except with the prior written consent of Lessor or as explicitly permitted in this Lease. In the event that the Lender becomes the successor lessee hereunder pursuant to this section, the Lender shall be eligible to make the payments in lieu of taxes pursuant to Section 7.04 hereof; and further provided that any successor or assign of the Lender, or any purchaser at a foreclosure sale other than the Lender, shall be entitled to make payments in lieu of taxes pursuant to Section 7.04 hereof so long as Lessor has reasonably approved such person or entity, such approval not to be unreasonably withheld, conditioned or delayed, and shall be provided or withheld within thirty (30) days of the date of request or shall be deemed approved. If such successor or assign of the Lender or any purchaser at a foreclosure sale other than the Lender is not approved by Lessor (the "Non-Approved Party") in accordance with the foregoing sentence, then the Non-Approved Party shall make payments in lieu of taxes beginning as of the date of such assignment or purchase equal to the ad valorem taxes that Lessee otherwise would have been required to make with respect to the Leased Property if the Leased Property was owned by Lessee. If Lessee conveys, assigns, transfers, leases, subleases or sells all or any part of its rights or interest hereunder to a transferee with the approval of HUD in accordance with section (c) of the Lease Addendum attached hereto as Exhibit C but without the approval of Lessor, such transferee shall make payments in lieu of taxes beginning as of the date thereof equal to the ad valorem

taxes that Lessee otherwise would have been required to make with respect to the Leased Property if the Leased Property was owned by Lessee, except as otherwise provided in this Section 13.01.

Section 12.02 Notice to Mortgagee. If a mortgagee or Investor Limited Partner of Lessee shall have given Lessor, before any Event of Default shall have occurred hereunder, a written notice specifying the name and mailing address of the mortgagee or Investor Limited Partner, then Lessor shall not terminate this Lease by reason of the occurrence of any Event of Default hereunder unless Lessor shall have given the mortgagee and Investor Limited Partner a copy of its notice to Lessee of such Event of Default addressed to the mailing address last furnished by the mortgagee and Investor Limited Partner, and such Event of Default shall not have been cured by said mortgagee or Investor Limited Partner, as applicable, within the time permitted herein (which such time period, with respect to mortgagee and Investor Limited Partner, shall begin upon receipt of the respective notice by mortgagee and Investor Limited Partner), provided that mortgagee and Investor Limited Partner shall have the right to extend the period of time for the curing of any such Event of Default for an additional period of thirty (30) days from the date contained in the notice given pursuant to Section 16.03 herein, or in the case of an Event of Default which cannot be cured within said thirty (30) day period, for such additional period (not to exceed an additional sixty (60) days) as, with all due diligence and in good faith, is necessary to cure the Event of Default. Lessor acknowledges that it has received written notice that (a) Lender is a mortgagee hereunder, and that Lessor shall send notices required to be sent to a mortgagee hereunder to Lender at the address provided in Section 16.03 and (b) the Investor Limited Partner is an investor limited partner hereunder, and that Lessor shall send notices required to be sent to an investor limited partner hereunder to the Investor Limited Partner at the address provided in Section 16.03.

Section 12.03 Performance by Mortgagee. Lessee irrevocably directs that Lessor accept, and Lessor agrees to accept, performance by any such mortgagee or Investor Limited Partner of the Lessee's, as applicable, right to terminate this Lease granted to Lessee by Article XIV hereof, regardless whether an Event of Default has occurred. After the date hereof, and in addition to any rights the mortgagee or Investor Limited Partner may have by virtue of this Lease, if, within ninety (90) days after the mailing of a notice of termination, or such later date as may be provided in this Lease following the expiration of the cure period, if any, afforded to the Lessee (the "Mortgagee/Investor Cure Period"), such mortgagee or Investor Limited Partner shall pay, or arrange to the satisfaction of Lessor for the payment of, a sum of money equal to any and all Basic Rent, Additional Rents, and other payments due and payable by Lessee hereunder with respect to the portion of the Leased Property to which such mortgagee or Investor Limited Partner claims an interest as of the date of the giving of notice of termination, in addition to their pro rata share of any and all expenses, costs and fees, including reasonable attorneys' fees, incurred by Lessor in preparation for terminating this Lease, and in acquiring possession of the Leased Property, then, upon the written request of such mortgagee or Investor Limited Partner made any time prior to the expiration of the Mortgagee/Investor Cure Period, Lessor and the party making such request (or its nominee) (the "New Lessee") shall mutually execute prior to the end of such Mortgagee/Investor Cure Period a new Lease of the Leased Property (or such portion thereof as they have an interest in or mortgage on) for the remainder of the Term of this Lease and on the same terms and conditions, and with the same priority over any encumbrances created at any time by Lessor, its successors and assigns which Lessee has or had by virtue of this Lease; provided, however, that in addition to the above payments such New Lessee shall have paid to Lessor a sum of money equal to the Basic Rent and other payments for such portion of the Leased Property accruing from the date of such termination to the date of the commencement of the term of such new Lease, together with its pro rata share of all expenses, including reasonable attorneys' fees, incident to the preparation, printing, execution, delivery and recording of such new lease and provided, further, that such New Lessee is approved by Lessor, such approval not to be unreasonably withheld, conditioned or delayed, and shall be provided or withheld within thirty (30) days of the date of request or shall be deemed approved. Such priority shall exist by virtue of the notice created by this Lease to any transferee of Lessor or person receiving an encumbrance from Lessor, and the priority shall be self-operative and shall not

require any future act by Lessor. Such new Leases shall contain the same clauses subject to which this demise is made, and shall be at the rents and other payments for such portion of the Leased Property due Lessor and upon the terms as are herein contained. New Lessees under any such new Leases shall have the same right, title and interest in and to and all obligations accruing thereafter under this Lease with respect to the applicable portion of the Leased Property as Lessee has under this Lease. Nothing in this Section 13.03 shall require the Investor Limited Partner or mortgagee, as a condition to the exercise of its rights under this Section 13.03, to cure any default of Lessee not reasonably susceptible of being cured by any investor limited partner or mortgagee.

Section 12.04 Acceptance of Performance. Lessee irrevocably directs that Lessor accept, and Lessor agrees to accept, performance by any such mortgagee or member of any term, covenant, agreement, provision, condition or limitation on Lessee's part to be performed or observed as though performed or observed by Lessee (including, without limitation, exercise of the option granted to Lessee by Section 15.01 hereof), irrespective of whether an Event of Default has occurred, provided such performance by said mortgagee or member shall occur within the time prescribed therefor in this Lease, plus an additional grace period of thirty (30) days thereafter or, if said Event of Default is curable but not within said 30-day period, then within such additional time as may be necessary to cure the same provided the mortgagee or member commences the curing thereof within such 30-day period and thereafter prosecutes the curing of such Event of Default to completion with all due diligence; provided, however, (i) with respect to any Event of Default hereunder which cannot be cured by said mortgagee or member until it obtains possession of the Leased Property, the provisions of Section 13.05 shall apply and (ii) if Lessee fails to maintain commercial public liability insurance required by Section 10.01 hereof, the mortgagee or member shall only have ten (10) days to cure such Event of Default.

Section 12.05 Delivery of Possession. Nothing herein contained shall be deemed to impose any obligation on the part of Lessor to deliver physical possession of the Leased Property to such mortgagee or their respective nominee until the new leases have been executed by all pertinent parties. Lessor agrees, however, that Lessor will, at the cost and expense of such mortgagee or respective nominee, cooperate in the prosecution of judicial proceedings to evict the then defaulting Lessee or any other occupants of the Leased Property.

Section 12.06 Rights of Mortgagee. Notwithstanding the term of any mortgage, Lessee's mortgagee shall have no further rights in the Lease except as stated herein. As used in this Section and throughout this Lease, the noun "mortgage" shall include a leasehold deed of trust, the verb "mortgage" shall include the creation of a leasehold deed of trust, the word "mortgagee" shall include the beneficiary under a leasehold deed of trust, and the terms "foreclose" or "foreclosure" shall include a trustee's sale under a deed of trust as well as a foreclosure by judicial process.

Section 12.07 Cooperation as to Liens. Lessor will execute and deliver commercially reasonable documents pledging its interest in the Leased Property, by joinder or otherwise, in connection with Lessee's financing or refinancing of the Leased Property provided that the forms of all such documents are acceptable to Lessor and provided Lessee pays all expenses related thereto. In the event of any failure on the part of Lessee to pay any amounts, liabilities or obligations described in this paragraph, Lessor shall have all rights, powers and remedies provided for herein or in the PILOT Agreement or by law or equity or otherwise in the case of nonpayment of the Basic Rent.

ARTICLE XIII.

Events of Default; Termination

If any one or more of the following events (herein called "Events of Default") shall happen:

(a) if Lessee fails to maintain the commercial general liability insurance required by Section 10.01 after being given notice of such failure and not curing such failure within ten (10) days of receipt of such notice; or

(b) if default shall be made in the due and punctual payment of any payment due pursuant to Section 7.04 hereof, and such default shall continue for more than thirty (30) days after Lessee's receipt of written notice of such default to Lessee from Lessor; or

(c) if default shall be made by Lessee in the due performance of or compliance with any of the terms hereof or under the PILOT Agreement, other than that referred to in the foregoing subdivisions (a) and (b), and such default shall continue for sixty (60) days after Lessor shall have given Lessee written notice of such default (or in the case of any such default that is not a payment default and which cannot with due diligence be cured within such 60-day period, if Lessee shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with any such default not susceptible of being cured with due diligence within the sixty (60) days that the time of Lessee within which to cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence);

then in any such event Lessor at any time thereafter and while such Event of Default shall continue may give a written termination notice to Lessee, which notice shall specify the nature of the Event of Default and a date of termination of this Lease not less than ninety (90) days after the giving of such notice. Upon such termination, Lessor shall have the right, but not the obligation, to enter upon the Leased Property and repossess the Leased Property. This termination right is subject to Lessee's option pursuant to Section 14.01 and at any time during the Term or within 180 days after the Term of this Lease, Lessee may exercise its option in Section 14.01 without regard to whether an Event of Default has occurred.

ARTICLE XIV.

Purchases and Purchase Prices

Section 14.01 Option to Purchase. Lessee (and upon an event of default under any mortgage, such mortgagee) shall have an irrevocable and exclusive option to purchase the Leased Property as a whole or any part thereof at any time during the Term or within one hundred eighty (180) days after the termination or expiration of the Lease for the amount provided in Section 14.03. To exercise such option Lessee shall (i) give Lessor at least ten (10) days' prior written notice of its intent to exercise any option granted pursuant to this Section 14.01, which notice shall state the date of such purchase, termination and acquisition, and (ii) comply with the provisions of Section 14.03 hereof. The option to be exercised by Lessee hereunder may be exercised whether or not a default or Event of Default has occurred hereunder.

Section 14.02 Granting of Easements. From time to time during the Term, Lessee shall have the right, at Lessee's expense, to cause Lessor (i) to grant easements affecting the Leased Land, (ii) to dedicate or convey, as required, portions of the Leased Land for road, highway and utilities and other public purposes, and (iii) to execute petitions to have the Leased Land or portions thereof annexed to any municipality or included within any utility, highway or other improvement or service district. Lessor shall also promptly execute and deliver estoppels, joinders, non-disturbance agreements and other documents required in connection with Lessee's use, financing, and refinancing of the Leased Property.

Section 14.03 Exercise of Option.

(a) To exercise any option contained in Section 14.01, Lessee shall pay, or cause to be paid, on or prior to the date of purchase and/or termination and acquisition, as the purchase price the sum of (i) \$1.00 plus (ii) any other amounts that are then due or that have accrued under this Lease.

(b) On the purchase date for the purchase of the Leased Property pursuant to Section 15.01, Lessor shall convey Lessor's interest in the Leased Property to Lessee (or its assigns) by terminating its sub-ground lease of the Leased Land. Lessee shall pay all expenses relating to such termination. To the extent Lessee or mortgagee exercises its option to purchase all of the Leased Property, then this Lease shall terminate upon termination of the sub-ground lease.

ARTICLE XV.
Miscellaneous

Section 15.01 Applicable Law. This Lease shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Tennessee.

Section 15.02 Severability. In the event that any clause or provision of this Lease shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not affect any of the remaining provisions hereof.

Section 15.03 Notices and Demands. All notices, certificates, demands, requests, consents, approvals and other similar instruments under this Lease shall be in writing, and shall be effective either (a) when delivered personally to the party for whom intended, (b) on the second business day following mailing by a nationally recognized overnight courier service, or (c) on the fifth day following mailing by certified or registered mail, return receipt requested, postage prepaid, in any case addressed to such party as set forth below or as a party may designate by written notice given to the other party in accordance herewith.

To the Lessor:

The Health, Educational and Housing Facility Board
of the City of Chattanooga, Tennessee
c/o Phillip A. Noblett, City Attorney
100 E. 11th Street, Suite 200
Chattanooga, Tennessee 37402

To the City:

City of Chattanooga, Tennessee
c/o Phillip A. Noblett, City Attorney
100 E. 11th Street, Suite 200
Chattanooga, Tennessee 37402

To the Lessee:

Espero Chattanooga LP
472 W. Martin Luther King Blvd.
Chattanooga, Tennessee 37402
Attn: Anna Protano-Biggs

and

Espero Chattanooga LP
350 W. Commercial Street
Springfield, Missouri 65803
Attn: Kim Buche

To the Investor Limited Partner:

Attention: _____

To the Lender:

Attention: _____

All notices given to Lessee shall also be given to Investor Limited Partner and Lender.

Section 15.04 Headings and References. The headings in this Lease are for convenience of reference only and shall not define or limit the provisions thereof. All references in this Lease to particular Articles or Sections are references to Articles or Sections of this Lease, unless otherwise indicated.

Section 15.05 Successors and Assigns. The terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 15.06 Multiple Counterparts. This Lease may be executed in multiple counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

Section 15.07 Expenses. Lessee shall pay all costs and expenses of Lessor in connection with the negotiation and execution of this Lease and the performance hereof, including the reasonable fees and expenses of Lessor's attorneys. In addition, in the event that Lessor shall be required to engage legal counsel for the enforcement of any of the terms of this Lease, whether or not such employment shall require institution of suit or other legal services required to secure compliance on the part of Lessee, Lessee shall be responsible for and shall promptly pay to Lessor the reasonable value of said attorneys' fees, and any other reasonable expenses incurred by Lessor as a result of such default.

Section 15.08 No Liability of Officers, Etc. No recourse under or upon any obligation, covenants or agreement contained in this Lease shall be had against any incorporator, members, director or officer, as such, past, present or future, of Lessor, either directly or through the Lessor. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer is hereby expressly waived and released by Lessee as a condition of and consideration for the execution of this Lease.

Section 15.09 No Liability of City, County, Officers, Etc. The City, County and the officers and agents of the City and County shall not in any event be liable for the performance of any obligation or agreement of any kind whatsoever herein, and none of the agreements or obligations of Lessor contained in this Lease or otherwise shall be construed to constitute an indebtedness of the City, County or the officers or agents of the City or County, within the meaning of any constitutional or statutory provision whatsoever.

Section 15.10 Limitation of Liability. Notwithstanding any other provision hereof, Lessor's liability hereunder shall be limited to its interest in the Leased Property and the payments to be made pursuant to this Lease, and Lessee shall not have any recourse against any other assets of Lessor.

Section 15.11 Interest. In addition to all other amounts payable under this Lease, Lessee shall also pay interest on any payment due hereunder that is not paid on the date such payment is due until paid at the interest rate, as it may vary from time to time, that the City would impose on a delinquent tax payment during the period such payment was due.

Section 15.12 Amendments and Modifications. The Lease constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings whether written or oral. Any amendments, modifications or revisions to this Lease shall be signed by both Lessor and Lessee and only with the prior written consent of Investor Limited Partner.

[Signatures appear on following page.]

IN WITNESS WHEREOF, this Lease has been duly executed by the parties hereto as of the date and year first above written.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

ATTEST:

By: _____
Chairman

Secretary

ESPERO CHATTANOOGA LP,
a Tennessee limited partnership

By: [Espero General Partner]

By: _____

Title: _____

EXHIBIT A

Legal Description of Leased Land

LEGAL DESCRIPTION

(Espero Chattanooga)

37957160.2

D R A F T

Mayor Tim Kelly
City Hall
101 E. 11th Street
Chattanooga, TN 37402

Chattanooga City Council
1000 Lindsay Street
Chattanooga, TN 37402

RE: HEB – Affordable Housing Initiative

Ladies and Gentlemen:

On behalf of the Health, Educational, and Housing Facility Board (HEB), we would like to express our concerns regarding affordable housing and the projects that are being brought before this Board for consideration. Homelessness is a housing problem. The Board believes there may be a dilemma in the community for affordable housing that the Chattanooga Housing Authority (CHA) and Chattanooga Neighborhood Enterprise (CNE) also recognize.

Based on the projects which have come before us, we believe that the average low to moderate income people cannot afford the rental rates in our area even with the PILOT projects that are available through this Board. When you look at the percentages of the Area Median Income (AMI), from the HEB's perspective, the projects which we are approving may not be fitting the needs for our community for housing income levels. There are many people who do not have someone to pay their rent for them. Sometimes we can do things that seem correct, but where we are doing it and what the need is, we are not always hitting the needs for affordable housing in our community.

In looking at several projects which have come to us over the last year, the HEB is doing their best to make them financially feasible, that "but-for" the PILOT this project would not be available. It shows that there is a need that cannot work financially if there are people in those needs categories that are either homeless or without. We understand that there is a homeless crisis that we see needs to be addressed, but the Board does not think that all projects coming to us are affordable.

Mayor Tim Kelly
Chattanooga City Council
Page 2

This Board takes the responsibilities for our positions seriously for the taxpayers even though we are appointed by our respective Council. We ultimately owe it to the taxpayers and constituents involved and thought this particular program is going to hit distinct demographic needs for assistance as well. We will also consider our responsibilities certainly on other projects as we get to other demographics in our city that are not as benefitted by PILOT relief. We know what our role is and would like to see more projects that fall on the spectrum we are committed to fulfilling as members of this Board.

We understand the need for more affordable housing availability is not just in Chattanooga but all over. The members of this Board are afraid it is going to get worse. The HEB would appreciate your wisdom in addressing this issue and a way to overcome this crisis.

Sincerely,

Hicks Armor, Chair
Health, Educational, and Housing Facility Board
for the City of Chattanooga

HA/PAN/mem