

RESOLUTION NO. 2000- 172
OF THE
BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA

A RESOLUTION APPROVING THE ISSUANCE BY THE HOUSING FINANCE AUTHORITY OF ST. JOHNS COUNTY, FLORIDA, OF ITS MULTIFAMILY HOUSING REVENUE BONDS (PONCE HARBOR APARTMENTS PROJECT), IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$7,000,000, FOR THE PURPOSE OF FINANCING ALL OR A PORTION OF THE COST OF THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF A 144-UNIT MULTIFAMILY HOUSING DEVELOPMENT TO BE LOCATED IN ST. JOHNS COUNTY, FLORIDA, TO BE OWNED AND OPERATED BY PONCE HARBOR PARTNERS, LTD., A FLORIDA LIMITED PARTNERSHIP, OR ONE OF ITS AFFILIATES; ALL PURSUANT TO CHAPTER 159, PART IV, FLORIDA STATUTES, AS AMENDED.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA:

SECTION 1. FINDINGS. It is hereby ascertained, determined and declared that:

A. The Housing Finance Authority of St. Johns County, Florida (the "Issuer"), is a public body corporate and politic duly created and existing as a local governmental body, under and by virtue of Chapter 159, Part IV, Florida Statutes, as amended (the "Act"), to provide for the issuance of and to issue and sell its multifamily housing revenue bonds for the purpose of financing all or any part of the acquisition, construction and installation of qualified housing developments or portions thereof.

B. Ponce Harbor Partners, Ltd., a Florida limited partnership (the "Borrower"), has submitted to the Board of County Commissioners of St. Johns County, Florida (the "Board"), a copy of a Resolution of the Issuer adopted on October 18, 2000 (the "Preliminary Resolution"), and a copy of a Memorandum of Agreement executed between the Issuer and the Borrower, dated as of October 18, 2000 (the "Memorandum of Agreement"), with respect to the issuance by the Issuer of its Multifamily Housing Revenue Bonds (Ponce Harbor Apartments Project), Series 2001A (the "Series A Bonds"), in an aggregate principal amount not to exceed \$6,000,000, and its Taxable Multifamily Housing Revenue Bonds (Ponce Harbor Apartments Project), Series 2001B (the "Series B Bonds"), in an aggregate principal amount not to exceed \$1,000,000, for the purpose of financing all or a portion of the cost of issuance of the Series A Bonds and Series B Bonds (the "Bonds") and of the acquisition, construction and installation of a low and moderate income multifamily residential

rental project consisting of 144 apartment units located on a site containing 19 acres along the west side of Old Moultrie Road about 800 feet south of the intersection of Old Moultrie Road and Southpark Road across the street from the Moultrie Apartments complex in the unincorporated area of St. Johns County (the "Project"), which Project will be owned and operated by the Borrower or one of its affiliates; all as more fully described in the Preliminary Resolution and the Memorandum of Agreement.

C. The Preliminary Resolution shows that it was adopted by the Issuer after a public hearing, such public hearing having been duly held by the Issuer, upon public notice published in a newspaper of general circulation in St. Johns County not less than 14 days prior to the scheduled date of such public hearing. At said hearing members of the public were afforded reasonable opportunity to be heard on all matters pertaining to the location and nature of the proposed Project and to the issuance of the Bonds.

D. By the Preliminary Resolution, the Issuer has recommended and requested that the Board approve the issuance of the Bonds, in order to satisfy the requirements of Section 147(f)(2)(ii) of the Internal Revenue Code of 1986, as amended (together with the regulations promulgated under such Code, whether proposed, temporary or final, the "Code"), so that the interest on the Series A Bonds will be excluded from gross income for federal income tax purposes under applicable provisions of the Code.

E. The Preliminary Resolution shows that the Issuer has acted in accordance with all requirements of law and has made appropriate provisions for the Bonds to be issued and sold and for the proceeds of the Bonds to be used in accordance with all applicable requirements of law, and that the Project will serve significant public purposes as provided in the Act.

F. The purposes of the Act will be effectively served, and it is necessary and desirable and in the best interest of the County that the issuance of the Bonds be approved by the Board.

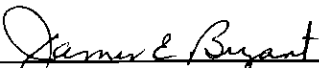
SECTION 2. APPROVAL OF ISSUANCE OF BONDS. The issuance of the Bonds as contemplated by the Preliminary Resolution and the Memorandum of Agreement is hereby approved.

SECTION 3. OTHER ACTION. The officers of St. Johns County are hereby authorized and directed to execute and deliver, or approve the execution and delivery of, such other documents and to take or approve the taking of such other actions as may be advised by the County's counsel or Foley & Lardner, Bond Counsel, to be appropriate in connection with the issuance of the Bonds as contemplated by this resolution.

SECTION 4. REPEALING CLAUSE. All resolutions or orders and parts thereof in conflict herewith, to the extent of such conflict, are hereby superseded and repealed.

SECTION 5. EFFECTIVE DATE. This Resolution shall take effect immediately.


PASSED AND ADOPTED this 14th day of November, 2000.



Chairman of the Board of County
Commissioners of St. Johns County,
Florida

(OFFICIAL SEAL)

ATTEST: Cheryl Strickland, Clerk



Clerk of the Circuit Court, ex-officio
Clerk of the Board of County
Commissioners of St. Johns
County, Florida



RESOLUTION NO. 2000 - B
of the
HOUSING FINANCE AUTHORITY OF ST. JOHNS COUNTY

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MEMORANDUM OF AGREEMENT WITH PONCE HARBOR PARTNERS, LTD., A FLORIDA LIMITED PARTNERSHIP, WITH RESPECT TO FINANCING ALL OR A PORTION OF THE COST OF THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF A 144-UNIT MULTIFAMILY HOUSING DEVELOPMENT TO BE LOCATED IN ST. JOHNS COUNTY, FLORIDA, TO BE OWNED AND OPERATED BY PONCE HARBOR PARTNERS, LTD., AND THE ISSUANCE AND SALE OF THE HOUSING FINANCE AUTHORITY OF ST. JOHNS COUNTY MULTIFAMILY HOUSING REVENUE BONDS (PONCE HARBOR APARTMENTS PROJECT), IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$7,000,000, AS PROVIDED HEREIN, FOR THE PURPOSE OF FINANCING ALL OR A PORTION OF THE COST OF SAID PROJECT; ALL PURSUANT TO CHAPTER 159, PART IV, FLORIDA STATUTES, AS AMENDED.

BE IT RESOLVED BY THE HOUSING FINANCE AUTHORITY OF ST. JOHNS COUNTY:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Chapter 159, Part IV, Florida Statutes, as amended, and other applicable laws.

SECTION 2. FINDINGS. It is hereby found, ascertained, determined and declared that:

A. The Housing Finance Authority of St. Johns County, Florida (the "Issuer"), is a public body corporate and politic duly created under and by virtue of Chapter 159, Part IV, Florida Statutes, as amended (the "Act"), and is duly authorized and empowered by the Act to provide for the issuance of and to issue and sell its multifamily housing revenue bonds for the purpose of financing all or any part of the acquisition, construction and installation of qualified housing developments or portions thereof.

B. There is a shortage of housing available at prices or rentals which many persons and families can afford and a shortage of capital for investment in such housing. This shortage constitutes a threat to the health, safety, morals and welfare of the residents of St. Johns County, Florida (the "County"), and the State of Florida (the "State") and deprives

the County and the State of an adequate tax base. This shortage of housing cannot be relieved except through the encouragement of investment by private enterprise and the stimulation of construction and rehabilitation of housing through the use of public financing. The financing, acquisition, construction, reconstruction and rehabilitation of housing and of the real and personal property and other facilities necessary, incidental and appurtenant thereto are public purposes and governmental functions of public concern.

C. Ponce Harbor Partners, Ltd., a Florida limited partnership (the "Borrower"), has requested that the Issuer take preliminary official action expressing the Issuer's intention to issue and sell its Multifamily Housing Revenue Bonds (Ponce Harbor Apartments Project), Series 2001A, in an aggregate principal amount not to exceed \$6,000,000 (the "Series A Bonds"), and its Taxable Multifamily Housing Revenue Bonds (Ponce Harbor Apartments Project), Series 2001B, in an aggregate amount not to exceed \$1,000,000 (the "Series B Bonds"), and that the Issuer file for an allocation for the Series A Bonds for calendar year 2001, for the purpose of financing all or a portion of the cost of issuance of the Bonds and of the acquisition, construction and installation of a low and moderate income multifamily residential rental project consisting of 144 apartment units located on a site containing approximately 19 acres along the west side of Old Moultrie Road about 800 feet south of the intersection of Old Moultrie Road and Southpark Road across the street from the Moultrie Apartments complex, in the unincorporated area of the County (the "Project"). The Project will be owned and operated by the Borrower or one of its affiliates.

D. The Borrower has requested that the Issuer enter into a loan or other financing agreement between the Issuer and the Borrower, whereby the Borrower will be unconditionally obligated to acquire, construct, operate, repair and maintain the Project at no expense to the Issuer, to make payments sufficient to pay the principal of, premium, if any, and interest on the Bonds when and as the same become due, and to pay all other costs incurred by the Issuer in connection with the financing and the acquisition, construction, installation and administration of the Project, which are not paid out of the Bond proceeds or otherwise. The payment of the principal of and interest on the Series A Bonds and Series B Bonds (the "Bonds") will be secured by an irrevocable direct-pay letter of credit (the "Letter of Credit") to be issued by a bank whose long-term debt obligations are rated "A" or better by Standard & Poor's Ratings Group or Moody's Investors Service, and which is reasonably satisfactory to the Issuer (the "Bank"). It is expected that the interest on the Series A Bonds will be excluded from gross income for federal income tax purposes under the laws of the United States of America.

E. The Borrower proposes that the Project will be a "qualified residential rental project" under Section 142(d) of the Internal Revenue Code of 1986, as amended (together with the regulations promulgated under such Code, whether proposed, temporary or final, the "Code") and a "qualified housing development" under the Act by renting not less than 40% of the units in the Project at all times to individuals who are individuals whose income is 60% or less of area median gross income within the meaning of the Code, and to rent the balance of the units in the Project at all times to individuals who are eligible tenants of moderate, middle or lesser income according to criteria to be determined by the Issuer. The

Borrower is willing to enter into a Land Use Restriction Agreement for the Project which will require adherence to all requirements of the Code and the Act aforesaid.

F. All transactions and documents shall be only as permitted by and in accordance with the Constitution and other laws, including the Code, of the United States and the State, and as authorized by the Act and other applicable laws of the State.

G. A public hearing on the Borrower's application has been duly held by the Issuer, upon public notice published in a newspaper of general circulation in the County not less than 14 days prior to the scheduled date of such public hearing. At said hearing members of the public were afforded reasonable opportunity to be heard on all matters pertaining to the location and nature of the proposed Project and to the issuance of the Bonds, and upon consideration of the information furnished by the Borrower and other available information, including the information and views presented at such public hearing, the Issuer has made the following findings and determination:

(1) The Project and the financing of all or a portion of the cost of the Project by the Issuer will be in furtherance of the purposes of the Act in that it will alleviate the shortage of housing in the County, will improve living conditions, will advance and improve the economic prosperity and the general welfare of the State and its people.

(2) The Project is appropriate to the needs and circumstances of the County, shall make a significant contribution to the alleviation of housing shortages in the County and the shortage of capital for housing purposes, and shall serve a public purpose by advancing the economic prosperity, the public health and general welfare of the State and its people.

(3) Subject to the condition that the Borrower provide the Letter of Credit, and based upon the information heretofore furnished to the Issuer by the Borrower in its application to the Issuer, the Borrower is financially responsible and fully capable and willing to serve the purposes of the Act and fulfill its obligations under the proposed financing agreements for the Project and under any other agreements to be made in connection with the issuance of the Bonds and the use of the Bond proceeds for financing all or a portion of the cost of the Project, including the obligation to pay loan payments or other payments in an amount sufficient in the aggregate to pay all of the interest, principal and redemption premiums, if any, on the Bonds, in the amounts and at the times required, the obligation to operate, repair and maintain the Project at the Borrower's own expense, and such other responsibilities as may be imposed under such agreements, due consideration having been given to the financial condition of the Borrower and other factors determinative of the capabilities of the Borrower, financially and otherwise, to fulfill its obligations consistently with the purposes of the Act, and to the condition that the Bonds be fully secured by the Letter of Credit.

(4) The Borrower has requested satisfactory expressions of intention from the Issuer that, upon the satisfaction of all requirements of law, all conditions set forth in this Resolution and in the hereinafter described Memorandum of Agreement and all conditions to be met by the Borrower, including but not limited to confirmation of an allocation under the

applicable volume limits under Section 146 of the Code and Chapter 159, Part VI, Florida Statutes, as amended (the "Bond Allocation Act"), and the receipt by the Issuer of a bond approving opinion of bond counsel satisfactory to the Issuer, the Bonds will be issued and sold and the proceeds thereof will be made available to finance a portion of the cost of the Project, to the extent of such proceeds, and such expressions will be a substantial and important factor in the Borrower's decision to proceed with the Project.

(5) A negotiated sale of the Bonds is required and necessary, and is in the best interest of the Issuer, for the following reasons: the Bonds will be special and limited obligations of the Issuer payable solely out of the Letter of Credit and the revenues and proceeds derived by the Issuer pursuant to the financing agreements, and the Borrower will be obligated for the payment of all costs of the Issuer in connection with the financing, construction and administration of the Project which are not paid out of the Bond proceeds or otherwise and for operation and maintenance of the Project at no expense to the Issuer; the cost of issuance of the Bonds, which will be borne directly or indirectly by the Borrower, could be greater if the Bonds are sold at public sale by competitive bids than if the Bonds are sold at negotiated sale, and a public sale by competitive bids would cause undue delay in the financing of the Project; multifamily housing revenue bonds having the characteristics of the Bonds are typically and usually sold at negotiated sale; the Borrower has requested that a negotiated sale of the Bonds be authorized by the Issuer; and authorization of a negotiated sale of the Bonds is necessary in order to serve the purposes of the Act.

(6) It is proposed by the Borrower that the Issuer and the Borrower enter into a memorandum of agreement in the form presented at this meeting (the "Memorandum of Agreement"), providing for the Borrower as independent contractor, and not as agent for the Issuer, to proceed with the acquisition, construction, installation and completion of the Project, all at no cost to the Issuer pending the issuance and sale of the Bonds; and providing among other things for the Bonds to be issued and sold at negotiated sale upon the terms and conditions hereof and thereof; for the use and application of the proceeds of sale of the Bonds to pay all or any part of the cost of the Project, to the extent of such proceeds; for a loan or other financing agreement between the Issuer and the Borrower, whereby the Borrower will be unconditionally obligated to operate, repair and maintain the Project at no expense to the Issuer, to make payments sufficient in the aggregate to pay all of the principal of and interest and redemption premiums, if any, on the Bonds, and to pay all other costs incurred by the Issuer in connection with the financing, acquisition, construction, installation and administration of the Project which are not paid out of the Bond proceeds or otherwise; and for such other financing agreements, indentures and related agreements as shall be necessary or appropriate.

(7) The Borrower has represented that it expects to incur certain capital expenditures in connection with the Project which will be paid by the Borrower prior to the issuance of the Bonds (the "Temporary Advances"). The Issuer reasonably expects as of the date hereof, based on representations made to it by the Borrower, that the Temporary Advances will be reimbursed with proceeds of the Bonds loaned by the Issuer to the Borrower; such reimbursement from the proceeds of the Bonds to occur not later than 18 months after the later

of (a) the date the Temporary Advance is paid or (b) the date the Project is placed in service or abandoned, but in no event more than three years after the Temporary Advance is paid.

(8) The purposes of the Act will be more effectively served if, and it is necessary and desirable and in the best interest of the Issuer that, the Memorandum of Agreement be executed and delivered by and on behalf of the Issuer.

SECTION 3. AUTHORIZATION OF MEMORANDUM OF AGREEMENT.

The Memorandum of Agreement in the form and with the contents presented at this meeting, be and the same is hereby approved, and the Chairman or Vice-Chairman of the Issuer is hereby authorized and directed, in the name and on behalf of the Issuer, to execute and deliver said Memorandum of Agreement, and the Secretary or Assistant Secretary of the Issuer is hereby authorized and directed to attest the same and to affix thereto the official seal of the Issuer.

SECTION 4. APPROVAL BY THE BOARD OF COUNTY COMMISSIONERS; ALLOCATION. The Board of County Commissioners of the County is hereby requested to approve the issuance of the Bonds by the Issuer, and the Issuer hereby recommends the Bonds for such approval of said Board; and the Chairman or Vice Chairman of the Issuer are hereby directed, in the name and on behalf of the Issuer, to file for confirmation of an allocation for the Series A Bonds in an amount of not to exceed \$6,000,000, pursuant to Section 146 of the Code and the Bond Allocation Act.

SECTION 5. PRIORITY. Nothing herein shall be deemed to restrict the Issuer, the County or the State or any agency or political subdivision thereof in determining the order or priority of the issuance of any bonds or to require the Issuer, the County or the State or any agency or political subdivision thereof to give the Bonds priority as to issuance or as to the time of issuance over any other bonds previously or subsequently approved for issuance.

SECTION 6. EFFECT OF RESOLUTION. The Issuer hereby declares its intention that the Temporary Advances will be reimbursed from the proceeds of the Bonds loaned by the Issuer to the Borrower. It is the intent of the Issuer that this Resolution constitute the declaration of official intent pursuant to Treasury Regulation §1.150-2 under the Code.

SECTION 7. REPEALING CLAUSE. All resolutions or orders and parts thereof in conflict herewith, to the extent of such conflict, are hereby superseded and repealed.

SECTION 8. EFFECTIVE DATE. This resolution shall take effect immediately.

PASSED AND ADOPTED this eighteenth day of October, 2000.

(SEAL OF ISSUER)

HOUSING FINANCE AUTHORITY OF
ST. JOHNS COUNTY, FLORIDA

ATTEST:


By: _____

Chairman


Secretary

I, Thomas J. Jackson, II, Secretary of the Housing Finance Authority of St. Johns County, Florida, do hereby certify that the foregoing is a true and correct copy of the Resolution of said Authority passed and adopted on October 18, 2000.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said Authority this eighteenth day of October, 2000.


Secretary of the Housing Finance Authority of
St. Johns County, Florida

(SEAL OF ISSUER)

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT is between the HOUSING FINANCE AUTHORITY OF ST. JOHNS COUNTY, a public body corporate and politic duly created and existing under the laws of the State of Florida (the "Issuer"), and PONCE HARBOR PARTNERS, LTD., a Florida limited partnership (the "Borrower").

1. Preliminary Statement. Among the matters of mutual inducement which have resulted in the execution of this Memorandum of Agreement are the following:

(a) The Issuer is a public body corporate and politic duly created under and by virtue of Chapter 159, Part IV, Florida Statutes, as amended (the "Act"), and is duly authorized and empowered by such Act to provide for the issuance of and to issue and sell its multifamily housing revenue bonds for the purpose of financing the acquisition and construction of qualifying housing developments or portions thereof.

(b) The Borrower proposes that the Issuer finance all or a part of the cost of the acquisition, construction and installation of a 144-unit multifamily housing development (the "Project"), to be located in the unincorporated area of St. Johns County, Florida (the "County"), on a site containing approximately 19 acres along the west side of Old Moultrie Road about 800 feet south of the intersection of Old Moultrie Road and Southpark Road across the street from the Moultrie Apartments complex. The Project will be owned and operated by the Borrower or one of its affiliates.

(c) The Borrower represents that the capital cost of the portion of the Project to be financed with the proceeds of the Bonds (as hereinafter defined), including the cost of issuance of the Bonds, will not be less than \$5,400,000 and will not exceed \$7,000,000.

(d) The Borrower represents that the Project will help alleviate the shortage of housing in the County; will improve living conditions; and will advance and improve economic prosperity and the general welfare of the State of Florida (the "State") and its people.

(e) The Borrower represents that neither it nor any "related person" (as such term is used in Section 144(a)(3) of the Code, as hereinafter defined) has, directly or indirectly, commenced or entered into any binding contracts for the acquisition or construction of the Project or for the purchase of machinery or equipment for the Project, and that it is essential that they immediately make commitments for such purposes.

(f) The Borrower proposes that the Issuer express its intention to issue its Multifamily Housing Revenue Bonds (Ponce Harbor Apartments Project), Series 2001A, in an aggregate principal amount not to exceed \$6,000,000 (the "Series A Bonds"), and its Taxable Multifamily Housing Revenue Bonds (Ponce Harbor Apartments Project), Series 2001B, in an aggregate principal amount not to exceed \$1,000,000 (the "Series B Bonds") (collectively, the "Bonds"); that the Issuer file for an allocation for the Series A Bonds for calendar year 2001, for the purpose of financing all or part of the cost of the Project; that the Issuer approve that the Issuer enter into a loan or other financing agreement between the Issuer and the Borrower,

whereby the Borrower will be unconditionally obligated to acquire, construct, operate, repair and maintain the Project, to make payments sufficient to pay the debt service on the Bonds and to pay all other reasonable costs incurred by the Issuer in connection with the financing and the acquisition, construction, installation and administration of the Project, which are not paid out of the Bond proceeds or otherwise. The payment of the principal of and interest on the Bonds will be secured by an irrevocable direct-pay letter of credit (the "Letter of Credit") to be issued by a bank whose long-term debt obligations are rated "A" or better by Standard & Poor's Ratings Group or Moody's Investors Service, and which is reasonably satisfactory to the Issuer (the "Bank"). Should the Borrower elect to use Bank of America, N.A., for issuance of the Letter of Credit, such bank will be satisfactory to the Issuer. It is expected that the interest on the Series A Bonds will be excluded from gross income for federal income tax purposes under the laws of the United States of America.

(g) The Issuer, by resolution (the "Preliminary Resolution") duly passed and adopted after a public hearing upon public notice duly published not less than 14 days prior to the date of said hearing, in accordance with all requirements of law and Section 147(f) of the Internal Revenue Code of 1986, as amended (together with the regulations promulgated under such Code, whether proposed, temporary or final, the "Code"), has made certain findings and determinations and has duly approved and authorized the execution and delivery of this Memorandum of Agreement.

(h) This Memorandum of Agreement is entered into to permit the Borrower to proceed with commitments for the Project and to incur costs in connection with various phases of the Project (including the costs of the acquisition, construction and installation of the Project and related expenses), to provide a declaration of official intent by the Issuer that certain capital expenditures in connection with the Project which, if any, may be paid by the Borrower prior to the issuance of the Bonds (the "Temporary Advances") will be reimbursed with proceeds of the Bonds in accordance with Treasury Regulation § 1.150-2 under the Code and an expression of intention by the Issuer, prior to the issuance of the Bonds, to issue and sell the Bonds and make the proceeds thereof available to finance all or a part of the cost of the Project, to the extent of such proceeds, all in accordance with and subject to the provisions of the Constitution and other laws of the State, including the Act, the Florida Private Activity Bond Allocation Act, Chapter 159, Part VI, Florida Statutes, as amended (the "Bond Allocation Act"), the Code, the Preliminary Resolution and this Memorandum of Agreement.

(i) The Borrower represents that, as of the date hereof, it expects to reimburse itself for the Temporary Advances with proceeds of the Bonds loaned by the Issuer to the Borrower, such reimbursement from the proceeds of the Bonds to occur not later than 18 months after the later of (a) the date the Temporary Advance is paid or (b) the date the Project is placed in service or abandoned, but in no event more than three years after the Temporary Advance is paid. The Borrower represents that each Temporary Advance will be a cost of the Project of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of "placed in service" in

Treasury Department Regulation Section 1.150-2(c) under the Code) under general federal income tax principles.

2. Intentions on the Part of the Issuer. Pursuant to, in accordance with and subject to the limitations of the Constitution and other laws of the State, including the Act, the Code and the Bond Allocation Act, and upon the conditions stated in the Preliminary Resolution and/or in this Memorandum of Agreement, the Issuer intends as follows:

(a) It will authorize the issuance and sale of the Bonds, pursuant to the terms of the Act as then in force, for the purpose of financing all or a part of the cost of the Project.

(b) It will, at the proper time, adopt such proceedings and authorize the execution of such documents as may be necessary and advisable for the authorization, sale and issuance of the Bonds, the acquisition, construction, installation, operation and maintenance of the Project and the financing of the Project, all as shall be provided for or permitted by the Code, the Bond Allocation Act and the Act, and mutually satisfactory to the Issuer and the Borrower. The Bonds are to be issued under a trust indenture between the Issuer and a trust company, bank or other qualified trustee having trust powers (which shall be qualified to serve as trustee under such indenture, under all applicable laws, and be designated by the Borrower with the approval of the Issuer), as Trustee, pursuant to which the Trustee shall receive and disburse the proceeds from the sale of Bonds, collect payments from the Borrower under the financing agreements and enforce its obligations under the financing agreements. The Bonds shall not be deemed to constitute a debt, liability or obligation, or a pledge of the faith and credit or taxing power, of the Issuer or of the State or of any political subdivision thereof, but the Bonds shall be payable solely from the Letter of Credit and the revenues and proceeds to be derived by the Issuer pursuant to the financing agreements. The Bonds shall bear interest at such rate or rates, shall be payable at such times and places, shall be in such forms and denominations, shall be sold in such manner, at such price and at such time or times, shall have such provisions for redemption, shall be executed, and shall be secured by the Letter of Credit, the revenues and proceeds derived from the financing agreements, and the obligations of the Borrower, as hereafter may be requested by the Borrower and/or the Issuer and as may then be determined or provided for by the Issuer, all on terms complying with the Code and the Act and mutually satisfactory to the Issuer and the Borrower, subject to confirmation of an allocation pursuant to the Bond Allocation Act or other applicable law then in effect.

(c) The interest on the Series A Bonds shall be excluded from gross income for federal income tax purposes, as determined on the basis of an opinion of Bond Counsel approved by the Issuer.

3. Agreements of the Borrower. Subject to the conditions stated in the Preliminary Resolution and/or in this Memorandum of Agreement, the Borrower agrees as follows:

(a) If the Borrower proceeds with the Project, it will arrange for, manage and carry out the acquisition, construction and installation of the Project, it will advance its own funds for such purpose as herein provided and, to the extent that the proceeds derived

from the sale of the Bonds are not sufficient to complete the Project and pay all costs incurred in connection therewith and with the financing and administration of the Project, it will supply all additional funds which are necessary therefor.

(b) The Borrower will make or cause to be made arrangements for the sale of the Bonds and shall be responsible for compliance with all applicable securities laws, including any disclosure obligations, in connection with the offering and sale thereof.

(c) Contemporaneously with the delivery of the Bonds, the Borrower will enter into financing agreements and such other agreements and related documents as shall be necessary or appropriate so that the Borrower will be obligated to operate, maintain and repair the Project at its own expense, to rent units in the Project to certain tenants in accordance with Section 2E of the Preliminary Resolution, to pay for the account of the Issuer sums sufficient in the aggregate to pay all of the principal of and interest and redemption premiums, if any, on the Bonds when and as the same shall become due and payable, and to pay all other costs incurred by the Issuer in connection with the financing, construction and administration of the Project, except as may be paid out of the Bond proceeds or otherwise.

(d) The Borrower will cause the Bank to issue the Letter of Credit to secure the payment of the Bonds and will take such further action and adopt such proceedings as may be required to implement its undertakings hereunder.

4. General Provisions.

(a) Since it is anticipated that the acquisition, construction and installation of the Project will commence prior to the sale of the Bonds and the Borrower knows and acknowledges that the Issuer will have no funds available to pay the cost of the Project other than funds derived from the sale of the Bonds, the Borrower agrees to advance from time to time all funds necessary for the acquisition, construction and installation of the Project, and any such funds when so advanced shall be deemed funds advanced on behalf of the Issuer; provided, however, that the Issuer shall not by virtue of such advances or otherwise through this Memorandum of Agreement acquire any property interest in the Project whatsoever or be required to reimburse the Borrower from any Issuer funds, other than from net proceeds of the Bonds, if issued. To the extent and only to the extent that the net proceeds derived from the sale of the Bonds are sufficient for such purpose, the Issuer agrees that the Borrower may be reimbursed, but only from such net proceeds after the issuance of the Bonds, for costs of the Project incurred by the Borrower prior to the issuance of the Bonds (subject to any limitations imposed by the Code).

(b) The Issuer agrees that the Borrower may enter into one or more agreements with a private lender or lenders to provide temporary construction financing and obtain commitments for permanent financing for the Project without vitiating in any manner the terms of this Agreement.

(c) The Borrower shall act as independent contractor, and not as agent for the Issuer, for the acquisition, construction, installation, completion, operation and

maintenance of the Project, and shall provide all services incident to the acquisition, construction, installation, operation and maintenance of the Project, including, without limitation, obtaining all necessary construction and operating permits, obtaining suitable zoning, the preparation of plans, specifications and contract documents, the award of contracts, the inspection and supervision of work performed, the employment of engineers, architects, builders and other contractors, the obtaining of utility services, and the provision of money to pay the cost thereof pending reimbursement by the Issuer from the Bond proceeds, and the Issuer shall have no responsibility for the provision of any such services.

(d) The Borrower may engage the services of an underwriter or financial consultant or adviser or legal counsel in connection with the offering and sale of the Bonds; provided, however, that the Issuer shall have no liability for the payment of any such firm's compensation or expenses.

(e) The Borrower has paid the Issuer's nonrefundable application fee and nonrefundable document processing fee and the Borrower agrees to pay the Issuer's actual reasonable out-of-pocket costs and expenses in connection with the transactions contemplated hereby, whether or not the Bonds are issued and sold, provided that if the Bonds are issued and sold, such fee and costs and expenses may be reimbursed out of the proceeds of the sale of the Bonds. The Borrower shall also pay any reasonable fees and expenses of a financial consultant to the Issuer pertaining to the issuance of the Bonds, which fees and expenses, to the extent permitted by the Code, may be reimbursed out of the proceeds of sale of the Bonds.

(f) James G. Sisco, Esquire, will serve as counsel to the Issuer, and Foley & Lardner, Jacksonville, Florida, will serve as Bond Counsel to the Issuer. The Borrower shall be responsible for the payment of all reasonable fees, costs and expenses of Bond Counsel, and shall pay the same whether or not the Bonds are issued and sold, provided that if the Bonds are issued and sold such fees, costs and expenses may be paid or reimbursed out of the proceeds of the sale of the Bonds, to the extent permitted by the Code.

(g) The Bonds shall not be required to be validated pursuant to the provisions of Chapter 75, Florida Statutes, as amended.

(h) Confirmation of the following shall be obtained from such governmental, as well as nongovernmental, agencies and entities as may have or assert competence or jurisdiction over or interest in matters pertinent thereto, and the same shall be in full force and effect at the time of issuance of the Bonds: (1) an allocation for the Series A Bonds for the calendar year in which the Series A Bonds are issued, sold and delivered and in which the purchase price therefor is received under Section 146 of the Code, the Bond Allocation Act and other applicable law then in effect, and (2) if required by the Issuer or its counsel, the Borrower or its counsel, or Bond Counsel, such other reasonable rulings, approvals, consents, certificates of compliance, opinions of counsel and other instruments and proceedings satisfactory to each of them, with respect to the Bonds, the Project, this Memorandum of

Agreement, the financing agreements, the trust indenture or any other instrument or act contemplated hereby.

(i) The intentions of the Issuer to issue the Bonds pursuant to this Memorandum of Agreement and to use the proceeds of the Bonds as herein contemplated are subject to the conditions that (1) the issuance of the Bonds by the Issuer shall have been approved by the Board of County Commissioners of the County, after a public hearing held by the Issuer thereon, pursuant to Section 147(f) of the Code, (2) an amount equal to the face amount of the Series A Bonds shall have been allocated for the issuance of the Series A Bonds for the calendar year in which the Series A Bonds are issued, sold and delivered and in which the purchase price therefor is received under Section 146 of the Code, the Bond Allocation Act and other applicable law then in effect, which allocation shall be in full force and effect on the closing date for the issuance of the Series A Bonds, and (3) on or before two years from the date hereof (or such later date as shall be mutually satisfactory to the Issuer and the Borrower), the Issuer and the Borrower shall have agreed to mutually acceptable terms for the Bonds and the sale and delivery thereof, and for the financing agreements and other agreements and documents referred to in Sections 2(b) and 3(c) and the proceedings referred to in Sections 2 and 3 hereof, and the Bonds shall have been issued, sold and delivered; provided, however, that the Bonds may not be issued more than eighteen months after the later of (A) the date of the first Temporary Advance to be reimbursed with proceeds of the Bonds, or (B) the date on which the entire Project shall have been placed in service or abandoned, but in no event more than three years after the date of the first Temporary Advance to be reimbursed with proceeds of the Bonds is paid.

(j) If the events set forth in paragraph (i) of this Section do not take place within the times set forth therein or any extensions thereof and the Bonds are not issued as herein contemplated, the Borrower agrees to pay all reasonable costs and expenses incurred pursuant to this Memorandum of Agreement by the Borrower, the reasonable fees and expenses of any underwriter, financial consultant or adviser engaged by the Borrower, the reasonable fees, costs and expenses of Bond Counsel, and any necessary and reasonable out-of-pocket costs and expenses incurred pursuant to this Memorandum of Agreement by the Issuer, whereupon this Memorandum of Agreement shall terminate.

(k) So long as this Memorandum of Agreement is in effect, all risk of loss to the Project will be borne by the Borrower.

(l) It is expressly agreed that any pecuniary liability or obligation of the Issuer hereunder shall be limited solely to the Letter of Credit and the revenues and other funds derived by the Issuer pursuant to the financing agreements, and nothing contained in this Memorandum of Agreement shall ever be construed to constitute a personal or pecuniary liability or charge against any member, officer, commissioner, employee, attorney or agent of the Issuer or its governing body, and in the event of a breach of any undertaking on the part of the Issuer contained in this Memorandum of Agreement, no personal or pecuniary liability or charge payable directly or indirectly from any funds or property of the Issuer shall arise therefrom. The Borrower hereby releases the Issuer from and agrees that the Issuer shall not

be liable for, and agrees to defend, indemnify and hold the Issuer harmless against any liabilities, obligations, claims, damages, litigation, costs and expenses (including but not limited to reasonable attorneys' fees and expenses) imposed on, incurred by or asserted against the Issuer for any cause whatsoever pertaining to the Project, the Bonds or this Memorandum of Agreement, or any transaction contemplated hereby; provided, however, that the scope and amount of the liability of the Borrower under this sentence shall never exceed the scope and amount of the Issuer's liability, costs and expenses (including reasonable attorneys fees); and provided, however, such costs and expenses shall not be caused by the Issuer's gross negligence or willful misconduct. The provisions of this paragraph shall survive any termination of this Memorandum of Agreement.

(m) If at any time prior to the issuance and sale of the Bonds the Issuer shall determine that the business, operations or financial condition of the Borrower is not satisfactory or that any financing documents pertaining to the Bonds are not satisfactory in form or substance to the Issuer or that the Borrower is not proceeding diligently with the acquisition, construction and installation of the Project or the financing thereof as contemplated hereby, the Issuer may, at its option, terminate this Memorandum of Agreement and any allocation for the Bonds by written notice to the Borrower. Additionally, the Issuer shall be discharged of its undertakings under this Memorandum of Agreement if the Borrower shall not provide at the closing for the issuance of the Bonds assurances satisfactory to the Issuer that no material adverse change has occurred in the representations of the Borrower or in the business, operations or financial condition of the Borrower.

(n) Except as otherwise provided in paragraph (m) of this Section, the provisions of this Memorandum of Agreement shall be superseded by any financing agreement entered into by the Issuer and the Borrower in accordance with Sections 2(b) and 3(c) of this Agreement and shall, upon the execution and delivery of such financing agreements, terminate and be of no effect.

(o) Upon the Borrower's request and upon satisfaction by the Borrower of all conditions of the Preliminary Resolution and of this Memorandum of Agreement pertaining thereto, the Issuer will request an allocation for the Series A Bonds for calendar year 2001 in an amount not to exceed \$6,000,000. The Borrower acknowledges and agrees that, except as expressly stated in the preceding sentence, neither the Preliminary Resolution nor this Memorandum of Agreement constitutes an allocation and that the Issuer does not guarantee the availability of an allocation for the Series A Bonds or that an allocation will be applied for, confirmed or assigned, either for 2001 or any subsequent year, or any renewal or subsequent allocation for the Series A Bonds in the event the issue is not closed prior to expiration of the initial allocation, or any increase in the amount of the initial allocation or any subsequent allocation for any additional series of tax-exempt bonds. If an allocation for the Series A Bonds is confirmed for 2001, the Borrower will use its best efforts to cause the Bond issue to be closed prior to the expiration of such allocation. If an allocation in the amount of the Series A Bonds is not received, no Bonds will be issued. The Issuer shall have no obligation to apply for confirmation of an allocation under the volume limitation for any subsequent year if the issue of the Series A Bonds is not in the year of the initial allocation. The Issuer's execution

and delivery of this Memorandum of Agreement shall in no way assure or guarantee any allocation of available financing or assign any priority to the Series A Bonds over any other bonds authorized or approved prior to or after such execution and delivery, as to such allocation.

(p) This Memorandum of Agreement shall become effective when executed and delivered by the Issuer and the Borrower.

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement as of the eighteenth day of October, 2000.

HOUSING FINANCE AUTHORITY OF
ST. JOHNS COUNTY, FLORIDA



(SEAL OF ISSUER)

By: [Signature]
Chairman

ATTEST:

[Signature]
Secretary

PONCE HARBOR PARTNERS, LTD.

By: CED Capital Holding 2000 I, L.L.C.

By: _____
Title: _____

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT is between the HOUSING FINANCE AUTHORITY OF ST. JOHNS COUNTY, a public body corporate and politic duly created and existing under the laws of the State of Florida (the "Issuer"), and PONCE HARBOR PARTNERS, LTD., a Florida limited partnership (the "Borrower").

1. Preliminary Statement. Among the matters of mutual inducement which have resulted in the execution of this Memorandum of Agreement are the following:

(a) The Issuer is a public body corporate and politic duly created under and by virtue of Chapter 159, Part IV, Florida Statutes, as amended (the "Act"), and is duly authorized and empowered by such Act to provide for the issuance of and to issue and sell its multifamily housing revenue bonds for the purpose of financing the acquisition and construction of qualifying housing developments or portions thereof.

(b) The Borrower proposes that the Issuer finance all or a part of the cost of the acquisition, construction and installation of a 144-unit multifamily housing development (the "Project"), to be located in the unincorporated area of St. Johns County, Florida (the "County"), on a site containing approximately 19 acres along the west side of Old Moultrie Road about 800 feet south of the intersection of Old Moultrie Road and Southpark Road across the street from the Moultrie Apartments complex. The Project will be owned and operated by the Borrower or one of its affiliates.

(c) The Borrower represents that the capital cost of the portion of the Project to be financed with the proceeds of the Bonds (as hereinafter defined), including the cost of issuance of the Bonds, will not be less than \$5,400,000 and will not exceed \$7,000,000.

(d) The Borrower represents that the Project will help alleviate the shortage of housing in the County; will improve living conditions; and will advance and improve economic prosperity and the general welfare of the State of Florida (the "State") and its people.

(e) The Borrower represents that neither it nor any "related person" (as such term is used in Section 144(a)(3) of the Code, as hereinafter defined) has, directly or indirectly, commenced or entered into any binding contracts for the acquisition or construction of the Project or for the purchase of machinery or equipment for the Project, and that it is essential that they immediately make commitments for such purposes.

(f) The Borrower proposes that the Issuer express its intention to issue its Multifamily Housing Revenue Bonds (Ponce Harbor Apartments Project), Series 2001A, in an aggregate principal amount not to exceed \$6,000,000 (the "Series A Bonds"), and its Taxable Multifamily Housing Revenue Bonds (Ponce Harbor Apartments Project), Series 2001B, in an aggregate principal amount not to exceed \$1,000,000 (the "Series B Bonds") (collectively, the "Bonds"); that the Issuer file for an allocation for the Series A Bonds for calendar year 2001, for the purpose of financing all or part of the cost of the Project; that the Issuer approve that

the Issuer enter into a loan or other financing agreement between the Issuer and the Borrower, whereby the Borrower will be unconditionally obligated to acquire, construct, operate, repair and maintain the Project, to make payments sufficient to pay the debt service on the Bonds and to pay all other reasonable costs incurred by the Issuer in connection with the financing and the acquisition, construction, installation and administration of the Project, which are not paid out of the Bond proceeds or otherwise. The payment of the principal of and interest on the Bonds will be secured by an irrevocable direct-pay letter of credit (the "Letter of Credit") to be issued by a bank whose long-term debt obligations are rated "A" or better by Standard & Poor's Ratings Group or Moody's Investors Service, and which is reasonably satisfactory to the Issuer (the "Bank"). Should the Borrower elect to use Bank of America, N.A., for issuance of the Letter of Credit, such bank will be satisfactory to the Issuer. It is expected that the interest on the Series A Bonds will be excluded from gross income for federal income tax purposes under the laws of the United States of America.

(g) The Issuer, by resolution (the "Preliminary Resolution") duly passed and adopted after a public hearing upon public notice duly published not less than 14 days prior to the date of said hearing, in accordance with all requirements of law and Section 147(f) of the Internal Revenue Code of 1986, as amended (together with the regulations promulgated under such Code, whether proposed, temporary or final, the "Code"), has made certain findings and determinations and has duly approved and authorized the execution and delivery of this Memorandum of Agreement.

(h) This Memorandum of Agreement is entered into to permit the Borrower to proceed with commitments for the Project and to incur costs in connection with various phases of the Project (including the costs of the acquisition, construction and installation of the Project and related expenses), to provide a declaration of official intent by the Issuer that certain capital expenditures in connection with the Project which, if any, may be paid by the Borrower prior to the issuance of the Bonds (the "Temporary Advances") will be reimbursed with proceeds of the Bonds in accordance with Treasury Regulation § 1.150-2 under the Code and an expression of intention by the Issuer, prior to the issuance of the Bonds, to issue and sell the Bonds and make the proceeds thereof available to finance all or a part of the cost of the Project, to the extent of such proceeds, all in accordance with and subject to the provisions of the Constitution and other laws of the State, including the Act, the Florida Private Activity Bond Allocation Act, Chapter 159, Part VI, Florida Statutes, as amended (the "Bond Allocation Act"), the Code, the Preliminary Resolution and this Memorandum of Agreement.

(i) The Borrower represents that, as of the date hereof, it expects to reimburse itself for the Temporary Advances with proceeds of the Bonds loaned by the Issuer to the Borrower, such reimbursement from the proceeds of the Bonds to occur not later than 18 months after the later of (a) the date the Temporary Advance is paid or (b) the date the Project is placed in service or abandoned, but in no event more than three years after the Temporary Advance is paid. The Borrower represents that each Temporary Advance will be a cost of the Project of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of "placed in service" in

Treasury Department Regulation Section 1.150-2(c) under the Code) under general federal income tax principles.

2. Intentions on the Part of the Issuer. Pursuant to, in accordance with and subject to the limitations of the Constitution and other laws of the State, including the Act, the Code and the Bond Allocation Act, and upon the conditions stated in the Preliminary Resolution and/or in this Memorandum of Agreement, the Issuer intends as follows:

(a) It will authorize the issuance and sale of the Bonds, pursuant to the terms of the Act as then in force, for the purpose of financing all or a part of the cost of the Project.

(b) It will, at the proper time, adopt such proceedings and authorize the execution of such documents as may be necessary and advisable for the authorization, sale and issuance of the Bonds, the acquisition, construction, installation, operation and maintenance of the Project and the financing of the Project, all as shall be provided for or permitted by the Code, the Bond Allocation Act and the Act, and mutually satisfactory to the Issuer and the Borrower. The Bonds are to be issued under a trust indenture between the Issuer and a trust company, bank or other qualified trustee having trust powers (which shall be qualified to serve as trustee under such indenture, under all applicable laws, and be designated by the Borrower with the approval of the Issuer), as Trustee, pursuant to which the Trustee shall receive and disburse the proceeds from the sale of Bonds, collect payments from the Borrower under the financing agreements and enforce its obligations under the financing agreements. The Bonds shall not be deemed to constitute a debt, liability or obligation, or a pledge of the faith and credit or taxing power, of the Issuer or of the State or of any political subdivision thereof, but the Bonds shall be payable solely from the Letter of Credit and the revenues and proceeds to be derived by the Issuer pursuant to the financing agreements. The Bonds shall bear interest at such rate or rates, shall be payable at such times and places, shall be in such forms and denominations, shall be sold in such manner, at such price and at such time or times, shall have such provisions for redemption, shall be executed, and shall be secured by the Letter of Credit, the revenues and proceeds derived from the financing agreements, and the obligations of the Borrower, as hereafter may be requested by the Borrower and/or the Issuer and as may then be determined or provided for by the Issuer, all on terms complying with the Code and the Act and mutually satisfactory to the Issuer and the Borrower, subject to confirmation of an allocation pursuant to the Bond Allocation Act or other applicable law then in effect.

(c) The interest on the Series A Bonds shall be excluded from gross income for federal income tax purposes, as determined on the basis of an opinion of Bond Counsel approved by the Issuer.

3. Agreements of the Borrower. Subject to the conditions stated in the Preliminary Resolution and/or in this Memorandum of Agreement, the Borrower agrees as follows:

(a) If the Borrower proceeds with the Project, it will arrange for, manage and carry out the acquisition, construction and installation of the Project, it will advance its own funds for such purpose as herein provided and, to the extent that the proceeds derived from the sale of the Bonds are not sufficient to complete the Project and pay all costs incurred

in connection therewith and with the financing and administration of the Project, it will supply all additional funds which are necessary therefor.

(b) The Borrower will make or cause to be made arrangements for the sale of the Bonds and shall be responsible for compliance with all applicable securities laws, including any disclosure obligations, in connection with the offering and sale thereof.

(c) Contemporaneously with the delivery of the Bonds, the Borrower will enter into financing agreements and such other agreements and related documents as shall be necessary or appropriate so that the Borrower will be obligated to operate, maintain and repair the Project at its own expense, to rent units in the Project to certain tenants in accordance with Section 2E of the Preliminary Resolution, to pay for the account of the Issuer sums sufficient in the aggregate to pay all of the principal of and interest and redemption premiums, if any, on the Bonds when and as the same shall become due and payable, and to pay all other costs incurred by the Issuer in connection with the financing, construction and administration of the Project, except as may be paid out of the Bond proceeds or otherwise.

(d) The Borrower will cause the Bank to issue the Letter of Credit to secure the payment of the Bonds and will take such further action and adopt such proceedings as may be required to implement its undertakings hereunder.

4. General Provisions.

(a) Since it is anticipated that the acquisition, construction and installation of the Project will commence prior to the sale of the Bonds and the Borrower knows and acknowledges that the Issuer will have no funds available to pay the cost of the Project other than funds derived from the sale of the Bonds, the Borrower agrees to advance from time to time all funds necessary for the acquisition, construction and installation of the Project, and any such funds when so advanced shall be deemed funds advanced on behalf of the Issuer; provided, however, that the Issuer shall not by virtue of such advances or otherwise through this Memorandum of Agreement acquire any property interest in the Project whatsoever or be required to reimburse the Borrower from any Issuer funds, other than from net proceeds of the Bonds, if issued. To the extent and only to the extent that the net proceeds derived from the sale of the Bonds are sufficient for such purpose, the Issuer agrees that the Borrower may be reimbursed, but only from such net proceeds after the issuance of the Bonds, for costs of the Project incurred by the Borrower prior to the issuance of the Bonds (subject to any limitations imposed by the Code).

(b) The Issuer agrees that the Borrower may enter into one or more agreements with a private lender or lenders to provide temporary construction financing and obtain commitments for permanent financing for the Project without vitiating in any manner the terms of this Agreement.

(c) The Borrower shall act as independent contractor, and not as agent for the Issuer, for the acquisition, construction, installation, completion, operation and maintenance of the Project, and shall provide all services incident to the acquisition,

construction, installation, operation and maintenance of the Project, including, without limitation, obtaining all necessary construction and operating permits, obtaining suitable zoning, the preparation of plans, specifications and contract documents, the award of contracts, the inspection and supervision of work performed, the employment of engineers, architects, builders and other contractors, the obtaining of utility services, and the provision of money to pay the cost thereof pending reimbursement by the Issuer from the Bond proceeds, and the Issuer shall have no responsibility for the provision of any such services.

(d) The Borrower may engage the services of an underwriter or financial consultant or adviser or legal counsel in connection with the offering and sale of the Bonds; provided, however, that the Issuer shall have no liability for the payment of any such firm's compensation or expenses.

(e) The Borrower has paid the Issuer's nonrefundable application fee and nonrefundable document processing fee and the Borrower agrees to pay the Issuer's actual reasonable out-of-pocket costs and expenses in connection with the transactions contemplated hereby, whether or not the Bonds are issued and sold, provided that if the Bonds are issued and sold, such fee and costs and expenses may be reimbursed out of the proceeds of the sale of the Bonds. The Borrower shall also pay any reasonable fees and expenses of a financial consultant to the Issuer pertaining to the issuance of the Bonds, which fees and expenses, to the extent permitted by the Code, may be reimbursed out of the proceeds of sale of the Bonds.

(f) James G. Sisco, Esquire, will serve as counsel to the Issuer, and Foley & Lardner, Jacksonville, Florida, will serve as Bond Counsel to the Issuer. The Borrower shall be responsible for the payment of all reasonable fees, costs and expenses of Bond Counsel, and shall pay the same whether or not the Bonds are issued and sold, provided that if the Bonds are issued and sold such fees, costs and expenses may be paid or reimbursed out of the proceeds of the sale of the Bonds, to the extent permitted by the Code.

(g) The Bonds shall not be required to be validated pursuant to the provisions of Chapter 75, Florida Statutes, as amended.

(h) Confirmation of the following shall be obtained from such governmental, as well as nongovernmental, agencies and entities as may have or assert competence or jurisdiction over or interest in matters pertinent thereto, and the same shall be in full force and effect at the time of issuance of the Bonds: (1) an allocation for the Series A Bonds for the calendar year in which the Series A Bonds are issued, sold and delivered and in which the purchase price therefor is received under Section 146 of the Code, the Bond Allocation Act and other applicable law then in effect, and (2) if required by the Issuer or its counsel, the Borrower or its counsel, or Bond Counsel, such other reasonable rulings, approvals, consents, certificates of compliance, opinions of counsel and other instruments and proceedings satisfactory to each of them, with respect to the Bonds, the Project, this Memorandum of Agreement, the financing agreements, the trust indenture or any other instrument or act contemplated hereby.

(i) The intentions of the Issuer to issue the Bonds pursuant to this Memorandum of Agreement and to use the proceeds of the Bonds as herein contemplated are subject to the conditions that (1) the issuance of the Bonds by the Issuer shall have been approved by the Board of County Commissioners of the County, after a public hearing held by the Issuer thereon, pursuant to Section 147(f) of the Code, (2) an amount equal to the face amount of the Series A Bonds shall have been allocated for the issuance of the Series A Bonds for the calendar year in which the Series A Bonds are issued, sold and delivered and in which the purchase price therefor is received under Section 146 of the Code, the Bond Allocation Act and other applicable law then in effect, which allocation shall be in full force and effect on the closing date for the issuance of the Series A Bonds, and (3) on or before two years from the date hereof (or such later date as shall be mutually satisfactory to the Issuer and the Borrower), the Issuer and the Borrower shall have agreed to mutually acceptable terms for the Bonds and the sale and delivery thereof, and for the financing agreements and other agreements and documents referred to in Sections 2(b) and 3(c) and the proceedings referred to in Sections 2 and 3 hereof, and the Bonds shall have been issued, sold and delivered; provided, however, that the Bonds may not be issued more than eighteen months after the later of (A) the date of the first Temporary Advance to be reimbursed with proceeds of the Bonds, or (B) the date on which the entire Project shall have been placed in service or abandoned, but in no event more than three years after the date of the first Temporary Advance to be reimbursed with proceeds of the Bonds is paid.

(j) If the events set forth in paragraph (i) of this Section do not take place within the times set forth therein or any extensions thereof and the Bonds are not issued as herein contemplated, the Borrower agrees to pay all reasonable costs and expenses incurred pursuant to this Memorandum of Agreement by the Borrower, the reasonable fees and expenses of any underwriter, financial consultant or adviser engaged by the Borrower, the reasonable fees, costs and expenses of Bond Counsel, and any necessary and reasonable out-of-pocket costs and expenses incurred pursuant to this Memorandum of Agreement by the Issuer, whereupon this Memorandum of Agreement shall terminate.

(k) So long as this Memorandum of Agreement is in effect, all risk of loss to the Project will be borne by the Borrower.

(l) It is expressly agreed that any pecuniary liability or obligation of the Issuer hereunder shall be limited solely to the Letter of Credit and the revenues and other funds derived by the Issuer pursuant to the financing agreements, and nothing contained in this Memorandum of Agreement shall ever be construed to constitute a personal or pecuniary liability or charge against any member, officer, commissioner, employee, attorney or agent of the Issuer or its governing body, and in the event of a breach of any undertaking on the part of the Issuer contained in this Memorandum of Agreement, no personal or pecuniary liability or charge payable directly or indirectly from any funds or property of the Issuer shall arise therefrom. The Borrower hereby releases the Issuer from and agrees that the Issuer shall not be liable for, and agrees to defend, indemnify and hold the Issuer harmless against any liabilities, obligations, claims, damages, litigation, costs and expenses (including but not limited to reasonable attorneys' fees and expenses) imposed on, incurred by or asserted against the Issuer for any cause whatsoever pertaining to the Project, the Bonds or this Memorandum

of Agreement, or any transaction contemplated hereby; provided, however, that the scope and amount of the liability of the Borrower under this sentence shall never exceed the scope and amount of the Issuer's liability, costs and expenses (including reasonable attorneys fees); and provided, however, such costs and expenses shall not be caused by the Issuer's gross negligence or willful misconduct. The provisions of this paragraph shall survive any termination of this Memorandum of Agreement.

(m) If at any time prior to the issuance and sale of the Bonds the Issuer shall determine that the business, operations or financial condition of the Borrower is not satisfactory or that any financing documents pertaining to the Bonds are not satisfactory in form or substance to the Issuer or that the Borrower is not proceeding diligently with the acquisition, construction and installation of the Project or the financing thereof as contemplated hereby, the Issuer may, at its option, terminate this Memorandum of Agreement and any allocation for the Bonds by written notice to the Borrower. Additionally, the Issuer shall be discharged of its undertakings under this Memorandum of Agreement if the Borrower shall not provide at the closing for the issuance of the Bonds assurances satisfactory to the Issuer that no material adverse change has occurred in the representations of the Borrower or in the business, operations or financial condition of the Borrower.

(n) Except as otherwise provided in paragraph (m) of this Section, the provisions of this Memorandum of Agreement shall be superseded by any financing agreement entered into by the Issuer and the Borrower in accordance with Sections 2(b) and 3(c) of this Agreement and shall, upon the execution and delivery of such financing agreements, terminate and be of no effect.

(o) Upon the Borrower's request and upon satisfaction by the Borrower of all conditions of the Preliminary Resolution and of this Memorandum of Agreement pertaining thereto, the Issuer will request an allocation for the Series A Bonds for calendar year 2001 in an amount not to exceed \$6,000,000. The Borrower acknowledges and agrees that, except as expressly stated in the preceding sentence, neither the Preliminary Resolution nor this Memorandum of Agreement constitutes an allocation and that the Issuer does not guarantee the availability of an allocation for the Series A Bonds or that an allocation will be applied for, confirmed or assigned, either for 2001 or any subsequent year, or any renewal or subsequent allocation for the Series A Bonds in the event the issue is not closed prior to expiration of the initial allocation, or any increase in the amount of the initial allocation or any subsequent allocation for any additional series of tax-exempt bonds. If an allocation for the Series A Bonds is confirmed for 2001, the Borrower will use its best efforts to cause the Bond issue to be closed prior to the expiration of such allocation. If an allocation in the amount of the Series A Bonds is not received, no Bonds will be issued. The Issuer shall have no obligation to apply for confirmation of an allocation under the volume limitation for any subsequent year if the issue of the Series A Bonds is not in the year of the initial allocation. The Issuer's execution and delivery of this Memorandum of Agreement shall in no way assure or guarantee any allocation of available financing or assign any priority to the Series A Bonds over any other bonds authorized or approved prior to or after such execution and delivery, as to such allocation.

(p) This Memorandum of Agreement shall become effective when executed and delivered by the Issuer and the Borrower.

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement as of the eighteenth day of October, 2000.

HOUSING FINANCE AUTHORITY OF
ST. JOHNS COUNTY, FLORIDA

(SEAL OF ISSUER)

By: _____
Chairman

ATTEST:

Secretary

PONCE HARBOR PARTNERS, LTD.

By: CED Capital Holding 2000 I, L.L.C.

By: _____
Title: MICCO DODY
VICE PRESIDENT