

RESOLUTION NO. 2007-138

RESOLUTION AUTHORIZING THE BORROWING OF FUNDS AND THE MAKING OF LOANS FOR AFFORDABLE SINGLE-FAMILY WORKFORCE HOUSING WITHIN THE COUNTY IN CONNECTION WITH A COUNTY FANNIE MAE HOUSING PROGRAM; APPROVING THE PROGRAM DESCRIPTION OF SAID COUNTY HOUSING PROGRAM; AUTHORIZING THE ISSUANCE AND DELIVERY BY THE COUNTY OF NOT EXCEEDING \$2,000,000 PRINCIPAL AMOUNT OF A PROMISSORY NOTE TO FINANCE A PART OF THE COST OF CONSTRUCTION OF AFFORDABLE WORKFORCE HOUSING IN CONNECTION WITH SAID COUNTY HOUSING PROGRAM; AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AND SECURITY AGREEMENT BETWEEN THE COUNTY AND FANNIE MAE IN CONNECTION THEREWITH; APPROVING THE FORM OF SAID LOAN AND SECURITY AGREEMENT AND SAID PROMISSORY NOTE EVIDENCING SUCH FINANCING; PROVIDING FOR THE PAYMENT OF SAID PROMISSORY NOTE; PROVIDING FOR THE DELIVERY OF A LETTER OF CREDIT BY WACHOVIA BANK, N.A. TO FANNIE MAE TO PROVIDE ADDITIONAL SECURITY FOR THE PAYMENT OF SAID PROMISSORY NOTE; AUTHORIZING THE EXECUTION AND DELIVERY OF A LETTER OF CREDIT AGREEMENT AND A SECURITY AGREEMENT BETWEEN THE COUNTY AND WACHOVIA BANK, N.A. IN CONNECTION THEREWITH; APPROVING THE FORM OF SAID LETTER OF CREDIT AGREEMENT AND SAID SECURITY AGREEMENT RELATING TO SUCH LETTER OF CREDIT; AUTHORIZING THE EXECUTION AND DELIVERY OF CONSTRUCTION LOAN AGREEMENTS BETWEEN THE COUNTY AND APPROVED DEVELOPERS OF AFFORDABLE WORKFORCE HOUSING IN CONNECTION THEREWITH; APPROVING A FORM OF SAID CONSTRUCTION LOAN AGREEMENT AND FORMS OF THE RELATED MORTGAGE AND NOTE TO BE EXECUTED BY SAID DEVELOPERS; PROVIDING FOR REPEAL OF INCONSISTENT PROVISIONS; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

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

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Chapter 125, Part I, Florida Statutes, as amended, St. Johns County Ordinance No. 2007-24 enacted on the date of adoption of this Resolution (the "Ordinance"), and other applicable provisions of law.

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

A. Within St. Johns County, Florida (the “County”), 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 the County, deprives the County of an adequate tax base, and causes the County to make excessive expenditures for crime prevention and control, public health, welfare, and safety, fire and accident protection, and other public services and facilities. Such shortage 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 and the provisions of low-cost loans to develop affordable housing. The financing, acquisition, construction, reconstruction, and rehabilitation of affordable housing and of the real and personal property and other facilities necessary, incidental and appurtenant thereof are essential and serve paramount County public purposes for which public money may be spent, advanced, loaned or granted and are governmental functions of public concern.

B. Fannie Mae, a corporation organized and existing under the laws of the United States of America (“Fannie Mae”), has a revolving line of credit housing loan program to assist in the development of affordable housing. Fannie Mae has approved the County for a \$2,000,000 revolving line of credit that will be available to lend to approved developers to build affordable single-family workforce housing for qualified homebuyers (the “County’s Fannie Mae Program”).

C. Fannie Mae has delivered to the County a Summary of Terms describing the County’s Fannie Mae Program (the “Program Description”), a copy of which is on file with the Clerk of the Board of County Commissioners of the County (the “Board”), and it is hereby determined to be in the best interest of the County to approve the Program Description and establish the County’s Fannie Mae Program.

D. It is necessary and desirable to provide for the execution and delivery of a Loan and Security Agreement (as herein authorized, the “Loan and Security Agreement”) between the County and Fannie Mae and the issuance and delivery of a Promissory Note of the County (as herein authorized, the “Promissory Note”) in connection with the County’s Fannie Mae Program, all in the manner hereinafter provided.

E. It is necessary and desirable to covenant to appropriate in its annual budget the funds hereinafter described to secure the payment of the principal of and interest on the Promissory Note when due as provided herein and in the Loan and Security Agreement, and amounts due under the Promissory Note shall be payable solely from such funds hereinafter described, all to the extent and in the manner provided herein and in the Loan and Security Agreement.

F. To further secure the repayment of the Promissory Note, Fannie Mae requires that the County provide additional security in the form of a Letter of Credit in the amount of \$200,000 (the “Letter of Credit”) from a qualified financial institution and Wachovia Bank, N. A. (the “Bank”) has submitted its proposal to provide the Letter of Credit and it is necessary and desirable to provide for the delivery of the Letter of Credit and the execution and delivery of a Letter of Credit Agreement (as herein authorized, the “Letter of Credit Agreement”) and a

Security Agreement (as herein authorized, the "Security Agreement") between the County and the Bank in connection therewith, all in the manner hereinafter provided.

G. In connection with the County's Fannie Mae Program, the County will provide loans to qualified developers approved by the County (the "Approved Developers"). Each Approved Developer shall construct a single-family home on real property within certain designated areas of the County (the "County's Fannie Mae Program Areas") for sale to a qualified homebuyer approved by the County earning not greater than one hundred-twenty percent (120%) of the area median gross income (a "Qualified Homeowner") at a purchase price not exceeding the maximum purchase price permitted under the County's State Housing Initiative Program (SHIP) guidelines.

H. It is necessary and desirable to provide for the execution and delivery of a Construction Loan Agreement (as herein authorized, the "Construction Loan Agreement") between the County and each Approved Developer and approve the forms of Mortgage and Security Agreement (as herein approved, the "Mortgage and Security Agreement") and Secured Promissory Note (as herein approved, the "Secured Promissory Note") to be executed by such Approved Developer in connection therewith to implement the County's Fannie Mae Program, all in the manner hereinafter provided.

I. It is necessary and desirable to direct and authorize the Director of the County Housing and Community Services Division (the "Housing Director") and other County staff to determine and designate the Approved Developers, the County Fannie Mae Program Areas and the Qualified Homeowners and the Housing Director and other County staff and attorneys to further develop and implement the County's Fannie Mae Program, all in the manner hereinafter provided.

SECTION 3. APPROVAL OF COUNTY'S FANNIE MAE HOUSING PROGRAM. The County hereby approves the Program Description provided by Fannie Mae on file with the Clerk of the Board as Exhibit A hereto, and hereby establishes the County's Fannie Mae Program as a County housing program.

SECTION 4. AUTHORIZING OF PROMISSORY NOTE. The issuance and delivery by the County of the Promissory Note of the County, in the principal amount not exceeding \$2,000,000 payable to Fannie Mae, for the purpose of financing a part of the cost of the County's Fannie Mae Program, to be dated, to bear interest at a rate or rates not exceeding the maximum legal rate per annum, to be payable, to mature, to be subject to redemption and to have such other characteristics as shall be provided in the Promissory Note and the Loan and Security Agreement, and to be secured as described herein and in the Loan and Security Agreement, is hereby authorized.

SECTION 5. SECURITY FOR THE PROMISSORY NOTE. Until all amounts owing under the Promissory Note and the Loan and Security Agreement are paid or deemed paid pursuant to the provisions of the Loan and Security Agreement, the County covenants to appropriate in its annual budget, by amendment if necessary, from non-ad valorem revenues lawfully available in each fiscal year of the County in which any amounts owing thereunder become due and payable, amounts sufficient, together with other available moneys, to pay such

amounts as the same become due, all in the manner and to the extent provided in the Loan and Security Agreement. The Promissory Note shall not constitute a general obligation or indebtedness of the County and no holder of the Promissory Note shall never have the right to require or compel the levy of taxes upon any property of or in the County for the payment of the principal of and interest on the Promissory Note.

SECTION 6. APPROVAL OF FORM OF LOAN AND SECURITY AGREEMENT AND PROMISSORY NOTE. The form of the Loan and Security Agreement on file with the Clerk of the Board as Exhibit B hereto and the Promissory Note attached thereto as an exhibit are hereby approved, and the Chairman or Vice Chairman of the Board (the “Chairman”) and the Clerk of the Board or any deputy clerk (the “Clerk”) are hereby authorized to execute and deliver such instruments in substantially the forms on file with the Clerk, with such modifications as may be approved by the Chairman or the Clerk, such approval to be conclusively evidenced by such officer’s execution thereof, and to take such other actions as shall be necessary to implement the County’s Fannie Mae Program in the manner provided herein and in the Loan and Security Agreement.

SECTION 7. APPROVAL OF FORM OF LETTER OF CREDIT AGREEMENT AND SECURITY AGREEMENT. The forms of the Letter of Credit Agreement and the Security Agreement on file with the Clerk as Exhibits C and D hereto are hereby approved, and the Chairman, the Clerk or the County Administrator of the County (the “County Administrator”) are hereby authorized to execute and deliver such instruments in substantially the forms on file with the Clerk, with such modifications as may be approved by the Chairman, the Clerk or the County Administrator, such approval to be conclusively evidenced by such officer’s execution thereof, and to take such other actions as shall be necessary to secure the Letter of Credit required for the County’s Fannie Mae Program in the manner provided herein and in the Loan and Security Agreement.

SECTION 8. APPROVAL OF FORM OF CONSTRUCTION LOAN AGREEMENT AND RELATED MORTGAGE AND NOTE. The forms of the Construction Loan Agreement, the Mortgage and Security Agreement and the Secured Promissory Note on file with the Clerk as Exhibits E, F and G hereto are hereby approved, and the Chairman or the County Administrator and the Clerk are hereby authorized to execute and deliver each Construction Loan Agreement and accept such other instruments in substantially the forms on file with the Clerk, with such modifications as may be approved by the Chairman, the County Administrator or the Clerk, such approval to be conclusively evidenced by such officer’s execution of the Construction Loan Agreement, and to take such other actions as shall be necessary to administer the County’s Fannie Mae Program in the manner provided herein and in the Loan and Security Agreement and the Construction Loan Agreement, with no further Board action required.

SECTION 9. AUTHORIZATION OF EXECUTION OF CERTIFICATES AND OTHER INSTRUMENTS. The Chairman, the Clerk and the County Administrator are hereby authorized and directed, either alone or jointly, under the official seal of the County, to execute and deliver certificates of the County certifying such facts as the County’s attorneys, Fannie Mae or the Bank shall require in connection with the issuance and delivery of the Promissory Note, and to execute and deliver such other instruments as shall be necessary or desirable to perform the County’s obligations under this Resolution, the Ordinance, the Loan and Security Agreement

and the Construction Loan Agreement and to consummate the transactions contemplated hereby and thereby.

SECTION 10. DEVELOPMENT AND IMPLEMENTATION OF COUNTY'S FANNIE MAE PROGRAM. The Housing Director and other County officers and employees are hereby directed and authorized to determine and designate the Approved Developers, the County Fannie Mae Program Areas and the Qualified Homeowners and the Housing Director and other County officers, employees and attorneys are hereby directed and authorized to further develop and implement the County's Fannie Mae Program, with no further Board action required, all in accordance with and as contemplated by this Resolution, the Ordinance, the Loan and Security Agreement and the Construction Loan Agreement.

SECTION 11. GENERAL AUTHORITY. The members of the Board and the County's officers, attorneys and other agents and employees are hereby authorized to do all acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Loan and Security Agreement, the Promissory Note, the Construction Loan Agreement and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be reasonably required by the County's attorneys, Fannie Mae or the Bank to effectuate the issuance and delivery of the Promissory Note and implementation of the County's Fannie Mae Program.

SECTION 11. NO PERSONAL LIABILITY. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Loan and Security Agreement or the Promissory Note, or in any certificate or other instrument to be executed on behalf of the County in connection with the issuance and delivery of the Promissory Note, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any member of the Board, officer, employee or agent of the County in his or her individual capacity, and none of the foregoing persons nor any officer of the County executing the Promissory Note or any certificate or other instrument to be executed in connection with the issuance and delivery of the Promissory Note shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof.

SECTION 12. REPEAL OF INCONSISTENT PROVISIONS. All resolutions or parts thereof in conflict with this Resolution are hereby repealed to the extent of such conflict.

SECTION 13. SEVERABILITY. In the event that any portion or section of this Resolution is determined to be invalid, illegal or unconstitutional by a court of competent jurisdiction, such decision shall in no manner affect the remaining portions or sections of this Resolution which shall remain in full force and effect.

SECTION 14. EFFECTIVE DATE. This Resolution shall take effect upon the later of its final passage and adoption or the effective date of the Ordinance.

PASSED, APPROVED AND ADOPTED this 15 day of May, 2007.

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA



Its Chairman

(OFFICIAL SEAL)

ATTEST:



Its Clerk



Effective Date: May __, 2007

LIST OF EXHIBITS ON FILE WITH CLERK

Exhibit A	--	Program Description
Exhibit B	--	Loan and Security Agreement
Exhibit C	--	Letter of Credit Agreement
Exhibit D	--	Security Agreement
Exhibit E	--	Construction Loan Agreement
Exhibit F	--	Mortgage and Security Agreement
Exhibit G	--	Secured Promissory Note

**Community Express
St. Johns County, Florida
Revolving Line of Credit
April 30, 2007**

1. Summary of Terms:

Borrower: St. Johns County, FL ("The County")

Rating of Borrower: Aa3 Moody's Investment Services as of July 14, 2005; and AA- Standard and Poor's as of January 6, 2004.

Type of Financing: Revolving Line of Credit ("the Loan")

Loan Amount: \$2,000,000

Maturity of Facility: 48 months

Maturity of Underlying Loans: Maximum term of underlying loans is 15 months on the construction, 12 month initial term with one three month extension permitted.

Tax Status: Taxable

Interest Rate: Variable interest rate based on 3 month LIBOR (as published in The Wall Street Journal) + 150 basis points. The initial interest rate will be set on the closing date.

Proposed interest rate is consistent with 'Pricing Guideline for Community Express Products' dated February 14, 2005.

Interest Rate Reset: Interest rate will reset quarterly on the first day of each calendar quarter (January 1, April 1, July 1, and October 1).

Interest Payment: Quarterly payments of interest to be paid in arrears on the first day of each calendar quarter and calculated on an actual/360 basis

Principal Payment: Principal repayment will be due at the earlier of (1) 30 days from the sale of homes financed with the proceeds of this Loan, in an amount equivalent to the amount borrowed, or (2) at Maturity of Individual Loans as follows:

Models –12 months

Pre sold homes – 6 months

The Term Sheet is a nonbinding proposal and only outlines certain business points. It cannot be construed as a commitment to lend. Further, the Term Sheet is subject to approval by Fannie Mae.

Pre sold lots for home construction – 12 months

Each loan will have a 3-month extension option upon approval of Fannie Mae. In any event all outstanding principal along with any unpaid interest must be paid at the maturity of the loan or the facility, whichever occurs first regardless of the status of the underlying loan.

Use of Proceeds: The loan proceeds will be used to fund the construction of single-family work force housing and related site work, utilities and improvements in St. Johns County. The houses constructed under this credit facility will primarily be in-fill housing in West Augustine and other Community Redevelopment Areas in the County. It is expected a minimum of 18- 20 homes per annum will be financed under the Line of Credit.

Maximum Purchase

Price Limits: Homes constructed with the proceeds of subject facility will be affordable to households earning 120% of the applicable Area Median Income, but in no event will the sale prices exceed the Fannie Mae Maximum Mortgage limit of \$417,000 for 2006 and as adjusted annually.

Geographic

Targeting: All proceeds will be spent in St. Johns County, a Priority Community for the North Florida CBC.

Advances: Disbursement of Credit Facility proceeds shall be made in accordance with procedures to be set forth in the Credit Facility documents. To obtain an advance under the Credit Facility, the Borrower shall from time to time deliver to Fannie Mae a written request for an advance (each, a "Request for Advance"). The Borrower shall provide Fannie Mae with advance telephonic notice prior to delivering a Request for Advance and shall deliver the Request for Advance by a reputable overnight courier for delivery the next business day. Fannie Mae will fund the advance within ten (10) business days following receipt of the Request for Advance.

Fannie Mae shall not be obligated to make more than one (1) advance per calendar month, and Fannie Mae shall not be obligated to make any advances within the last (9) months of the term of the Credit Facility. The sum of the aggregate principal advances shall not exceed the amount of the Credit Facility. Notwithstanding the intended use of the Advances or other

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required principal repayment dates as referenced below, all Advances shall be due and payable no later than four (4) years from the Closing Date.

Any period of twelve consecutive months or more without any draws will result in termination of Borrower's right to make any additional draws against the facility.

Conditions for Advances:

Borrower shall have delivered to Fannie Mae the following items prior to Fannie Mae making an Advance of any Credit Facility proceeds:

- A. Written evidence, acceptable to Fannie Mae, that all required documentation have been obtained by Borrower in connection with financing for the property for which the proceeds of the Credit Facility will be used;
 - B. A description of property to be financed, including the principal amount requested, the location of property, the income level of the family anticipated to be served, a copy of the sales contract (where applicable), the projected completion date, and the proposed purpose for each Advance;
 - C. Anticipated Repayment date, which shall not exceed the Maturity Date of this Credit Facility; and
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- D. Such other information as reasonably requested by Fannie Mae.

Recourse:

The County shall annually budget, from non ad valorem revenue legally available, amounts due under the subject facility. Furthermore, the County shall include in all County budgets adopted after the closing of subject facility amounts due Fannie Mae and submission of such annual budget prior to the start of each fiscal year.

Collateral:

10% of total loan amount collateralized by an irrevocable letter of credit from a financial institution with a minimum long term debt rating of A from S&P and A2 from Moody's.

Draw Period Expiration:

Nine months prior to maturity date.

Legal Fees:

Borrower shall pay all reasonable costs, charges, taxes and other expenses incurred by Fannie Mae in connection with making this

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Credit Facility whether or not the Loan closes, including, without limitation, fees of Lender's counsel.

Origination Fee: 100 basis points of the loan amount (\$20,000) due and payable at closing.

Prepayment: Prepayment may occur at any time without penalty.

Standby Fee: During the period from closing until the end of the draw period, the Borrower shall pay a standby fee ("the Standby Fee") to Fannie Mae on the "Undrawn portion" of the loan, which is an amount equal to the Loan less the outstanding unpaid balance of the promissory note evidencing the loan at the time of calculations. The Standby Fee shall be an amount, per annum, equal to 15 basis points on the amount of the "Undrawn Portion" and shall be calculated monthly based on the Undrawn portion as of the last day of the month, and shall be due and payable by the Borrower quarterly.

**Required Loan
Documentation:**

- A. Loan and Security Agreement
 - B. Promissory Note
 - C. General Certificate of Borrower
 - D. Required Consents
 - E. Opinion of Borrower's Counsel
 - F. Pending Litigation Report
 - G. Collateral Documentation
 - H. Request for Advance
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**Reporting
Requirements:**

- A. Audited annual financial statements (within 270 days of fiscal year end).
- B. Quarterly, internally prepared financial statements (balance sheet and income statement) within 60 days of the end of each calendar quarter.
- C. Annual Budget (on or before first day of each fiscal year).
- D. Quarterly project status report submitted within 30 days of the end of each calendar quarter detailing the status of the construction loan program, including but not limited to loans outstanding, status of construction, any material delays or program setbacks, estimated completion date, pre-sales and pre-qualified buyers waiting for units to become available.
- E. The County shall submit within 270 days of the close of each fiscal year an analysis evidencing the non-ad valorem revenue available for repayment of subject debt.

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- Loan Covenants:**
- A. No Fannie Mae Foundation grants, loans or investments may be used by the Borrower to repay or facilitate the repayment of the Credit Facility.
 - B. The Borrower will make timely payments of principal and interest.
 - C. The Borrower shall maintain a minimum debt service coverage requirement of 1.5:1 for all non ad valorem debt
 - D. The Borrower will obey and comply with all laws, ordinances and regulations that may adversely affect its corporate existence or that may be ordered by a court or other governmental body.
 - E. The Borrower will pay all of its debt obligations in accordance with the terms set forth in those obligations.
 - F. The Borrower will notify Fannie Mae in writing of any event of default within three days after obtaining knowledge of the event.
 - G. Within 30 days of the commencement of a lawsuit that may materially impact the Borrower, the Borrower will notify Fannie Mae in writing of the suit.
 - H. The Borrower will provide such information as Fannie Mae may request with reasonable promptness.
 - I. The Borrower will maintain proper books and records.
 - J. The Borrower will not further encumber the collateral pledged to Fannie Mae.
 - K. The Borrower shall maintain at all times long-term issuer credit ratings of at least: (a) S&P's original rating used to price this Loan; and, (b) Moodys' original rating used to price this Loan. If the credit rating is reduced one level, the interest rate on the loan shall be increased by 25 basis points. If the credit rating is reduced by two levels or more, the loan shall become due and payable.
 - L. The Borrower approves construction draw requests and either inspects the site or has an independent inspector to

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evaluate each draw against percentage of completion to total amount drawn as well as line item expenses.

Closing Conditions:

The Borrower will have delivered to Fannie Mae the following items prior to the Closing date:

- A. Two (2) copies of a Loan and Security Agreement, in form and substance satisfactory to Fannie Mae, duly executed by the County and in full force and effect;
 - B. One (1) promissory note, in form and substance satisfactory to Fannie Mae, duly executed by the County and in full force and effect;
 - C. One (1) original of the County's certificate, in form and substance satisfactory to Fannie Mae, duly executed by the City and in full force and effect;
 - D. One (1) copy of a legal opinion of counsel, in form and substance satisfactory to Fannie Mae;
 - E. St. Johns County Construction Loan Agreement with builders; and,
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- F. Such other information as reasonably requested by Fannie Mae.

Conditions Precedent to Funding:

- A. All requirements of the construction loan application process between the County and the builder have been completed.
- B. For each single-family dwelling to be constructed, the builder shall submit final plans and specifications submitted to the County Housing and Community Services Division (H&CS) for approval prior to the funding. H&CS has absolute and sole discretion to approve or disapprove the subdivision, subdivided lot, cost breakdown, and construction contract prior to closing on each property.
- C. No advances from the County to the builder, except for purchase of land and closing costs, until the security for the

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loan has been satisfactorily encumbered, and Notice of Commencement has been recorded in the Public Records.

- D. Loans on each home will be limited to the lesser of: 90% of total costs or 85% of as completed appraised value for pre-sold homes and models and 90% LTV for Lots.
 - E. Loan proceeds will be allowed for the purchase of improved lots but not for the purchase of land to be re-redeveloped.
 - F. All contracts between the County and the builder must be fixed price contracts. For each property to be funded under the line to a builder, there shall be at all times un-disbursed funds (in the account created for that house construction) sufficient to complete each respective single-family Dwelling. Any change orders increasing costs will trigger a request for an immediate deposit by the Builder to cover the additional costs.
 - G. Requests for Construction Draws shall be submitted in a Form approved by the County, signed by the builder and the County's approved Inspector together with all supporting documentation required by the County including builders' affidavits.
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- H. Construction shall be inspected by an County approved inspector, or engineer retained by the County, at builder's expense, with periodic written reports submitted to County from such inspector.
 - I. Construction of the single- family dwelling shall commence on or before thirty (30) days from the date of the first draw under each Reserved Loan Amount and the failure to timely commence construction shall entitle the County to withhold further draws. All improvements to the property shall be complete on or before one hundred and eighty (180) days from the first draw.
 - J. H&CS may grant a 3-month extension at its sole discretion. Such completion must be evidenced by a certificate of occupancy, final inspection, or such other final report evidencing the improvements can be occupied and have met all the code requirements of the County.

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- K. Except for the funding of model units, (no more than one such unit per builder) construction of new homes will not be funded without an Approved Homebuyer to purchase the single family Dwelling.
- L. An Approved Homebuyer will be one that:
 - a. Has a commitment from a third party mortgage lender for the proposed mortgage on the home.
 - b. Has completed the County's homebuyer training class, if required by the County.
 - c. Has executed a purchase contract on the subject property with the builder or St Johns County.
- M. If a contract on a home is withdrawn for any reason, no house will be built on the lot until a new contract with another homebuyer.

Closing Date: The Closing Date must occur on or before June 25, 2007.

Proposed Funding Schedule: The County expects to start drawing funds as soon as the line is closed. The County will only submit one draw request per month to Fannie Mae.

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "Agreement") is made this ____ day of June, 2007, by and between **FANNIE MAE**, a corporation organized and existing under the laws of the United States of America, with offices at 3900 Wisconsin Avenue, N.W., Washington, DC 20016 ("Fannie Mae"), and **ST. JOHNS COUNTY, FLORIDA**, a political subdivision of the State of Florida (the "Borrower").

RECITALS

WHEREAS, pursuant to the terms and conditions of this Agreement, the Borrower desires to borrow up to the amount of Two Million Dollars (\$2,000,000) (the "Credit Facility") from Fannie Mae, with the proceeds thereof to be used by the Borrower for the purposes described in Section 1.4 hereof; and

WHEREAS, the Borrower is willing to borrow the above-referenced sum upon the terms and conditions hereinafter set forth.

AGREEMENTS

NOW THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the parties agree as follows:

ARTICLE I THE CREDIT FACILITY

1.1 Establishment of the Credit Facility. Fannie Mae hereby establishes the Credit Facility subject to the terms and conditions of this Agreement and agrees, from time to time during the term of the Credit Facility, upon satisfaction by the Borrower of the requirements of Section 3.1 of this Agreement, to make advances (each an "Advance" and collectively, the "Advances") to the Borrower for the purposes described in Section 1.4 below. Fannie Mae's obligation to make Advances under this Agreement is subject to the following limitations:

(a) The term of the Credit Facility begins on the date hereof and ends on June ____, 2011 (the "Credit Facility Expiration Date") or the date on which the Credit Facility is terminated pursuant to Section 6.2 hereof (whichever first occurs); and

(b) Fannie Mae is obligated to make Advances only in connection with Acceptable Projects (as defined in Section 1.4);

(c) Fannie Mae is not obligated to make more than one (1) Advance per calendar month;

(d) Borrower is entitled to make requests for Advances during the period beginning on the date hereof and ending on _____, 2009 (the "Draw Period");

(e) So long as there are funds available under the Credit Facility to be drawn, in the event that Borrower fails to request an Advance during any period of twelve (12) or more consecutive months, Fannie Mae has the right in its sole and absolute discretion to deny Borrower's request for additional Advances during the remaining term of the Credit Facility; and

(f) The sum of the aggregate unpaid principal balance of the Advances outstanding at any time will not exceed the amount of the Credit Facility set forth in the Recitals of this Agreement.

1.2 The Note. The Borrower's obligation to repay the Credit Facility will be evidenced by a Promissory Note dated of even date herewith in the form attached hereto as Exhibit A (as the same may from time to time be extended, replaced, substituted, amended, restated or otherwise modified, the "Note").

1.3 Prepayment Permitted. The Borrower has the right to prepay the Note in accordance with the terms of the Note.

1.4 Use of Credit Facility.

(a) Fannie Mae and the Borrower agree that the Credit Facility will be used by the Borrower to pay closing costs related to the Credit Facility and to lend funds to developers to finance certain costs and expenses incurred in connection with the construction of affordable single-family work force housing and related site work, utilities and improvements in West Augustine and other Community Redevelopment Areas in the County (as more particularly defined on Exhibit J) or such other projects as may be subsequently approved in writing by Fannie Mae in its sole and absolute discretion (each such project is hereinafter referred to as an "Acceptable Project" and such projects are collectively referred to as the "Acceptable Projects"). Any loan otherwise qualifying as an Acceptable Project under the terms of this Section 1.4 must also have a term not exceeding twelve (12) months if the loan is for models, not exceeding six (6) months if the loan is for pre-sold homes, and not exceeding twelve (12) months if the loan is for pre-sold lots for home construction. If the Acceptable Project is a pre-sold lot for home construction, the builder must be able or permitted to sell a lot to a homeowner before completing its development and construction obligations.

(b) All Acceptable Projects must serve low- and moderate-income households, and in no event will the sale prices of homes in any Acceptable Project exceed the Fannie Mae Maximum Mortgage Limit which is \$417,000 for 2006 and is adjusted annually. "Low-income" is defined as eighty percent (80%) or below area median income as published and adjusted annually by the U.S. Department of Housing and Urban Development. "Moderate-income" is defined as less than one hundred twenty percent (120%) but more than eighty percent (80%) of area median income as published and adjusted annually by the U.S. Department of Housing and Urban Development.

(c) The Borrower will not use any of the proceeds of the Credit Facility to pay or reimburse operating or administrative expenses, other than closing costs related to the Credit Facility, or to fund or refinance Borrower's debt. Proceeds shall be defined as funds advanced by Fannie Mae from the Credit Facility and shall not include interest or other payments of fees received by Borrower from Acceptable Projects.

(d) In administering loans made by the Borrower using proceeds of the Credit Facility, the Borrower will adhere to the Borrower's lending guidelines, loan program guidelines, and any other standards or procedures for administration of its lending activities, copies of which have been previously provided to Fannie Mae and are attached to this Agreement as Exhibit L, as such guidelines, standards and/or procedures are updated from time to time, with Fannie Mae's prior written approval (collectively, the "Loan Program Criteria").

(e) Loans made by the Borrower using the proceeds of the Credit Facility must be approved by the Borrower and any loan committee of Borrower in accordance with the Loan Program Criteria without exception from such Loan Program Criteria, unless specific written approval is obtained by the Borrower from Fannie Mae, which approval may be granted or withheld by Fannie Mae in its sole and absolute discretion.

(f) Borrower acknowledges that Fannie Mae is not underwriting any loans made by the Borrower using the proceeds of the Credit Facility.

(g) The maturity of any loan made with the proceeds of the Credit Facility must not exceed the Credit Facility Expiration Date.

1.5 Origination Fee. The Borrower will pay an origination fee (the "Origination Fee") to Fannie Mae in the amount of Twenty Thousand and No/100 Dollars (\$20,000.00). The Origination Fee is due and payable as provided in Article III.

1.6 Standby Fee. During the period from the date hereof until the end of the Draw Period, the Borrower will pay a standby fee (the "Standby Fee") to Fannie Mae on the Undrawn Portion of the Credit Facility. The "Undrawn Portion" means an amount equal to the amount of the Credit Facility as set forth in the Recitals of this Agreement less the outstanding principal balance of the Note at the time of calculation. The Standby Fee will be an amount, per annum, equal to fifteen (15) basis points calculated on the Undrawn Portion. The Standby Fee will be calculated monthly based upon the Undrawn Portion as of the last day of the month, and will be due and payable by the Borrower quarterly in arrears on each January 1st, April 1st, July 1st and October 1st of each year, commencing on October 1, 2007 (but will be calculated and accrue at the end of each month beginning upon closing of this Credit Facility), and continuing until the last day of the Draw Period, with the last such payment due on the last day of the Draw Period.

1.7 Revolving Facility. Within the limits and subject to the terms and conditions set forth herein, the Borrower may borrow, repay and reborrow hereunder during the Draw Period.

ARTICLE II
NATURE OF OBLIGATION AND SECURITY FOR THE CREDIT FACILITY

2.1 Nature of Obligation.

(a) Recourse. The Borrower hereby expressly agrees and acknowledges that the Borrower's obligation to repay the Credit Facility and the other sums due under this Agreement and the Note is an obligation of the Borrower and that Fannie Mae has recourse against Designated Revenues (defined below) in satisfaction of such obligations, in addition to any specific assets which may be pledged hereunder or pursuant hereto. Notwithstanding the terms of this Section 2.1, Fannie Mae will not have recourse against any funds or assets that are restricted by law or regulation and to which the Borrower is prohibited from granting access to a third party.

(b) Status of Obligations. Anything in this Agreement to the contrary notwithstanding, it is understood and agreed that the ad valorem taxing power and the full faith and credit of the Borrower has not been pledged to secure the obligations of the Borrower hereunder. Fannie Mae shall not have any right to compel the exercise of any ad valorem taxing power of the Borrower to pay the obligations owing hereunder. The obligations of the Borrower under this Agreement, including loan repayments and all other payments, shall be payable solely from Designated Revenues in accordance with the terms hereof. The provisions of this Section 2.1 shall survive the termination and/or assignment of this Agreement.

(c) Security for Loan Repayments. In addition to any other security provided for in this Agreement, the Borrower's obligation to repay the Borrower's obligation hereunder shall be, and is hereby, secured by a pledge of and lien on the Designated Revenues. Notwithstanding the foregoing, the Borrower may secure any existing or future indebtedness, on a parity basis, with a pledge of the lien on any portion of the Designated Revenues.

(d) Covenant to Budget and Appropriate.

(i) Until all amounts owing hereunder are paid or deemed paid pursuant to the provisions of this Agreement, the Borrower hereby covenants to appropriate in its annual budget, by amendment if necessary, from Non-Ad Valorem Revenues (defined below) lawfully available in each fiscal year of the Borrower in which any amounts owing hereunder becomes due and payable, amounts sufficient, together with other available moneys, to pay such amounts as the same become due. Such covenant and agreement on the part of the Borrower to budget and appropriate such amounts of Non-Ad Valorem Revenues shall be cumulative to the extent not paid, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in amounts sufficient to make all such required payments hereunder shall have been budgeted, appropriated and actually paid. Once such Non-Ad Valorem Revenues are so budgeted and appropriated, the same shall constitute "Borrower Moneys" hereunder. Notwithstanding the foregoing covenant of the Borrower, the Borrower does not covenant to maintain any services or programs, now provided or maintained by the Borrower, which generate Non-Ad Valorem Revenues.

(ii) Such covenant to budget and appropriate does not create any lien upon or pledge of such Non-Ad Valorem Revenues, nor does it preclude the Borrower from pledging in the future its Non-Ad Valorem Revenues, nor does it require the Borrower to levy and collect any particular Non-Ad Valorem Revenues, nor does it give Fannie Mae a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the Borrower. Such covenant to appropriate Non-Ad Valorem Revenues is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereinafter entered into (including the payment of debt services on bonds and other debt instruments). However, the covenant to budget and appropriate in its general annual budget for the purposes and in the manner stated herein shall have the effect of making available for the payment of amounts owing hereunder in the manner described herein Non-Ad Valorem Revenues and placing on the Borrower a positive duty to appropriate and budget, by amendment, if necessary, amounts sufficient to meet its obligations hereunder; subject, however, in all respects to the restrictions of Section 129.07, Florida Statutes which provides, in part, that it is unlawful for the Board of County Commissioners of a County to expend or contract for the expenditure in any fiscal year more than the amount budgeted in each fund's budget and in no case shall the total appropriations of any budget be exceeded, except as provided pursuant to Section 129.06, Florida Statutes; and subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the Borrower or which are legally mandated by applicable law.

(e) Definitions.

(i) "Designated Revenues" shall mean (1) Borrower Moneys, if any, budgeted and appropriated for purposes of payment of amounts owing hereunder and (2) the proceeds of each Advance pending the application thereof.

(ii) "Non-Ad Valorem Revenues" shall mean all legally available revenues of the Borrower derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available to make the payments required herein, but only after provisions has been made by the Borrower for the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the Borrower or which are legally mandated by applicable law.

(iii) "Borrower Moneys" shall mean the moneys budgeted and appropriated by the Borrower for payment of the Borrower's obligations hereunder from Non-Ad Valorem Revenues pursuant to the Borrower's covenant to budget and appropriate such Non-Ad Valorem Revenues contained in Section 2.1(c) of this Agreement.

2.2 Type of Collateral. The Credit Facility will be secured at all times by the Borrower providing a letter of credit in accordance with the terms and conditions of this Article II.

2.3 Letter of Credit. The Borrower will deliver to Fannie Mae at closing of the Credit Facility a letter of credit meeting the requirements set forth below (the "Letter of Credit"), and thereafter, Borrower will deliver to Fannie Mae such amendments, renewals of,

replacements of, or confirming letters of credit with respect to the Letter of Credit as may be required under the terms and conditions of this Agreement. The Borrower agrees that the Letter of Credit provides security for repayment of the Credit Facility and that, upon the occurrence of an Event of Default under this Agreement or the Note, Fannie Mae will be entitled to take any action permitted under Article VI of this Agreement, which includes, without limitation, drawing upon the Letter of Credit as a source of repayment for amounts owed to Fannie Mae pursuant to Section 6.2(c).

2.4 Terms of the Letter of Credit. The Letter of Credit will:

(a) be an unconditional and irrevocable clean letter of credit substantially in the form attached to this Agreement as Exhibit G;

(b) be in a stated amount equal to at least \$200,000.00, which is ten percent (10%) of the amount of the Credit Facility set forth in the Recitals of this Agreement;

(c) be issued by an issuer acceptable to Fannie Mae in its sole and absolute discretion (the "Letter of Credit Issuer") for the account of Borrower and for the sole benefit of Fannie Mae;

(d) have a term expiring not earlier than sixty (60) days following the termination of the Credit Facility or shall be subject to unconditional automatic renewals and if not renewed, replaced with a substitute Letter of Credit acceptable to Fannie Mae in its sole discretion before expiration of the then-current Letter of Credit;

(e) provide that it may be drawn, in whole or in part, by presentation to the Letter of Credit Issuer of a clean sight draft; and

(f) be accompanied, on delivery to Fannie Mae, by a current opinion letter from counsel to the Letter of Credit Issuer, which counsel may be the in-house counsel of the Letter of Credit Issuer, substantially in the form attached to this Agreement as Exhibit H (a "Letter of Credit Opinion Letter").

2.5 Letter of Credit Fees. The Borrower must pay all fees owing to the Letter of Credit Issuer for issuance of the Letter of Credit, and Fannie Mae will have no liability or responsibility for the payment of any fees in connection with the issuance, amendment, renewal or replacement of the Letter of Credit or any confirming Letter of Credit.

2.6 Credit Rating of Letter of Credit Issuer. The Letter of Credit Issuer must, at the time of issuance of the Letter of Credit, and throughout the term of the Letter of Credit, have a rating which meets or exceeds the minimum credit rating requirements for issuers of letters of credit set forth on Exhibit I attached to this Agreement (the "Letter of Credit Issuer Rating Requirements"). The Borrower will give Fannie Mae prompt written notice if and at such time as the Borrower becomes aware that the credit rating of the Letter of Credit Issuer fails to satisfy the Letter of Credit Issuer Rating Requirements.

2.7 Replacement of Letter of Credit on Downgrade in Letter of Credit Issuer's Credit Rating. The Borrower will, within thirty (30) days following the Borrower's becoming aware of the failure of the Letter of Credit Issuer to satisfy the Letter of Credit Issuer Rating Requirements, deliver, or cause to be delivered, either a replacement Letter of Credit or a confirming Letter of Credit to Fannie Mae in exchange for, or in confirmation of, the then-outstanding Letter of Credit. Such replacement of the Letter of Credit will be issued by a Letter of Credit Issuer which has a credit rating that meets or exceeds the Letter of Credit Issuer Rating Requirements, and will be accompanied by a current Letter of Credit Opinion Letter in the form attached to this Agreement as Exhibit H.

2.8 Return of Original Letter of Credit. Upon Fannie Mae's receipt and approval of any replacement Letter of Credit issued and delivered pursuant to, and in accordance with, Section 2.7 of this Agreement, Fannie Mae agrees to surrender to the Borrower the Letter of Credit then being replaced.

2.9 Borrower's Credit Rating.

(a) The Borrower has been assigned long term issuer credit ratings by the following rating agencies (each a "Rating Agency" and collectively the "Rating Agencies"): (a) Standard & Poor's Ratings Group ("S&P"); and (b) Moody's Investors Services ("Moody's"). The Rating Agencies have assigned the following long term issuer credit ratings to the Borrower: (a) S&P: AA-; and (b) Moody's: Aa3, and such ratings have not been reduced, revoked or withdrawn, and the current ratings outlook for the Borrower by each Rating Agency is either "Positive" or "Stable". The Borrower is not aware of any pending change to such credit ratings or current ratings outlook.

(b) The Borrower will maintain at all times long term issuer credit ratings at least equal to (a) S&P: AA-; and, (b) Moody's: Aa3. If any credit rating assigned to the Borrower by one (1) or more of the two (2) Rating Agencies is downgraded, the Borrower will fail to be in compliance with this covenant.

(c) The Borrower will notify Fannie Mae in writing in the event any of the Rating Agencies downgrades the Borrower's long term issuer credit rating within ten (10) days after the Borrower has knowledge of such downgrade.

(d) If any credit rating assigned to the Borrower by the Rating Agencies is downgraded by one (1) grade, then the interest rate on the Credit Facility will automatically become twenty-five (25) basis points above the rate of interest otherwise applicable. If any credit rating assigned to the Borrower by the Rating Agencies is downgraded by two (2) grades, then the outstanding principal balance of the Credit Facility, together with interest and all other charges accrued hereunder will be immediately due and payable in full and Fannie Mae will be entitled, immediately and without notice, to draw upon the Letter of Credit.

2.10 Financial Representations and Covenants.

(a) The Borrower has a debt service coverage ratio, based on the average prior two-year's legally available Non-Ad Valorem Revenue over the projected maximum annual debt service on debt secured by and/or payable from Non-Ad Valorem Revenue, of not less than one and one-half to one (1.5:1) ("Required Debt Service Coverage Ratio").

(b) The Borrower will maintain at all times the Required Debt Service Coverage Ratio.

(c) Borrower will furnish, or cause to be furnished, to Fannie Mae as soon as available after the end of each fiscal year of the Borrower, but in no event later than two hundred seventy (270) days after the end of each fiscal year of the Borrower, an analysis evidencing the Non-Ad Valorem Revenues at least equal the Required Debt Service Coverage Ratio.

ARTICLE III
ADVANCES UNDER THE CREDIT FACILITY

3.1 Conditions Precedent.

(a) Conditions Precedent to Closing: Closing of the Credit Facility is subject to delivery to Fannie Mae of the following items (the date on which the last of the following items is received and accepted by Fannie Mae being the "Closing Date"):

(i) two (2) originals of this Agreement duly executed by the Borrower, in full force and effect;

(ii) one (1) original of the Note, duly executed by the Borrower, in full force and effect;

(iii) one (1) original of the General Certificate of Borrower, in the form of Exhibit C attached to this Agreement, duly executed, with appropriate exhibits;

(iv) one (1) original of a legal opinion of counsel to the Borrower, in the form of Exhibit E attached to this Agreement, with appropriate exhibits, if any;

(v) written evidence, acceptable to Fannie Mae, that (i) all Required Consents (as defined in Section 4.5) have been obtained by Borrower authorizing the Borrower's execution, delivery and performance of any instrument, document or certificate in connection with the Credit Facility, and (ii) that the requirements for the security for the Credit Facility as described in Article II hereof have been satisfied, as determined by Fannie Mae, in its sole discretion;

(vi) a copy of the Borrower's audited annual financial statements for each of the preceding three (3) fiscal years, which financial statements must be satisfactory to Fannie Mae in its sole and absolute discretion;

(vii) a copy of the Borrower's charter documents, if any, and applicable home rule ordinance, including all amendments thereto;

(viii) payment of the Origination Fee and the Closing Fees (as defined in Section 5.14);

(ix) one (1) original of the Letter of Credit, in the form of Exhibit I attached to this Agreement;

(x) one (1) original of the legal opinion of counsel to the Letter of Credit Issuer, in the form of Exhibit H attached to this Agreement, with appropriate exhibits, if any;

(xi) written evidence, acceptable to Fannie Mae, that the Letter of Credit Issuer is in compliance with the Letter of Credit Issuer Rating Requirements (as defined in Section 2.6);

(xii) written evidence, acceptable to Fannie Mae, that Borrower is in compliance with the provisions of Section 2.9 regarding the Borrower's credit rating;

(xiii) a copy of Borrower's lending guidelines, loan program guidelines, and any other standards or procedures for the administration of the funds lent to builders for an Acceptable Project, including the Loan Program Criteria, which guidelines must be satisfactory to Fannie Mae in all respects;

(xiv) a copy of Borrower's form of Construction Loan Agreement with builders;

(xv) one (1) original of the Certificate of Compliance with Debt Requirements, in the form of Exhibit K attached to this Agreement; and

(xvi) such other information, documents and agreements as are reasonably requested by Fannie Mae.

In the event Fannie Mae, in its sole and absolute discretion, elects to close the Credit Facility without receipt of any of the items required by this Section 3.1(a) prior to the Closing Date their delivery will be a condition precedent to the first Advance, and such election will not be deemed a waiver of those items by Fannie Mae.

(b) Conditions Precedent to Funding each Advance. Fannie Mae will not be obligated to fund an Advance under the Credit Facility unless, with respect to such Advance, the following conditions have been satisfied in a manner acceptable to Fannie Mae:

(i) delivery to Fannie Mae of each of the following items:

(A) written evidence, acceptable to Fannie Mae, that all Required Consents (as defined in Section 4.5) have been obtained by Borrower in connection with the Acceptable Project for which the proceeds of the Advance will be used;

(B) with respect to the Acceptable Project, a written description thereof, including details regarding location, scope, number of units, income level of the occupants anticipated to be served thereby, a copy of the sales contract (where applicable), projected completion date, the proposed purpose and the aggregate principal amount of all Advances to be requested for the Acceptable Project;

(C) a sources and uses of funds statement for the Acceptable Project;

(D) a written statement indicating the expected source of repayment for the Advance, which source must be acceptable to Fannie Mae;

(E) a written statement indicating the estimated repayment date of the Advance, which date must not exceed the Credit Facility Expiration Date;

(F) a description of specifications of Acceptable Project;

(G) a completed Certification of Acceptable Project in the form attached to this Agreement as Exhibit M (“Advance Certification”);

(H) any items required under Section 3.1(a) that Borrower did not deliver to Fannie Mae on or before the Closing Date; and

(I) such other information as reasonably requested by Fannie Mae.

(ii) No Default. There is no Event of Default which has occurred and is continuing under this Agreement or the Note, nor is there any event or condition which with the giving of notice or the passage of time would constitute an Event of Default.

(iii) Representations and Warranties. All representations and warranties made by the Borrower in this Agreement must be true and correct in all material respects with the same force and effect as if such representations and warranties were being made by the Borrower at the time the Advance is funded.

(iv) Covenants and Conditions. The Borrower must be in compliance with all of the terms, covenants and conditions of this Agreement which are binding upon it.

(v) Acceptable Project. The project to be funded with the Advance must be an Acceptable Project as defined in Section 1.4 of this Agreement (other than for an Advance for closing costs related to the Credit Facility).

3.2 Requests for Advances under the Credit Facility. To obtain each Advance under the Credit Facility, the Borrower must from time to time deliver to Fannie Mae a written request for Advance (each, a "Request for Advance"), signed by the County Administrator and the Clerk of the Board of County Commissioners (or their designees) in the form attached to this Agreement as Exhibit B. Each Request for Advance delivered pursuant to this Section 3.2 will be deemed to be a part of this Agreement. The Borrower must provide Fannie Mae with advance telephonic notice prior to delivering a Request for Advance and must deliver the Request for Advance by a reputable overnight courier for delivery the next Business Day. The telephonic notice and the Request for Advance must be directed to:

Fannie Mae
3900 Wisconsin Avenue, N.W.
Mail Stop: 8H-306
Washington, DC 20016
Attention: Portfolio Administration
American Communities Fund
Telephone: (202) 752-7723

3.3 Funding of Advances. Subject to satisfaction by Borrower of each of the conditions precedent specified in Section 3.1 hereof, Fannie Mae will fund the Advance within ten (10) Business Days following receipt of a Request for Advance that is acceptable to Fannie Mae and is delivered in accordance with this Agreement. Advances will be made directly into the Borrower's account by bank wire transfer pursuant to the wiring instructions attached to the Request for Advance. For purposes of this Agreement, "Business Day" means any day other than a Saturday, Sunday or other day which is a legal holiday.

3.4 Repayment. Repayment of the Credit Facility by the Borrower must be made in accordance with the terms of the Note by bank wire transfer or by mail pursuant to the following instructions:

FNMA/NYC
ABA No. 021 039 500
GR371 (\$2,000,000 loan from FNMA ACF/Debt to

St. Johns County, FL ACF #573)
Attn: HCDFunds@MFAS

By Mail:

Fannie Mae
3900 Wisconsin Avenue, N.W.
Mail Stop 11H/903
Washington, DC 20016
Attn: Multifamily Funds Operations
Re: ACF #573

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to Fannie Mae that:

4.1 Organization and Powers. The Borrower is a political subdivision of the State of Florida (the "State") and is duly created and validly existing under the laws of the State. The Borrower has the power and authority to own its assets and properties, to carry on its activities as now conducted by it, to execute, deliver and perform this Agreement, and to execute and deliver the Note and to incur the indebtedness provided for hereunder and under the Note. The Borrower is not in breach or violation of any provisions of the laws of the State which would affect its existence or the powers referred to in this Section 4.1.

4.2 Authorization; Binding Agreement. The execution, delivery and performance by the Borrower of this Agreement, the execution and delivery of the Note and the indebtedness to be incurred under this Agreement have been duly authorized by all requisite action. Upon execution and delivery by the Borrower, this Agreement and the Note will constitute the legal, valid and binding obligations of the Borrower enforceable in accordance with their terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency or other similar laws of general application or equitable principles relating to or affecting the enforcement of creditors' rights from time to time in effect. All conditions, acts and things required by applicable laws to exist, to have happened or to have been performed precedent to and in connection with the incurrence of debt by the Borrower exist, have happened and have been performed, and the indebtedness evidenced hereby is within every debt limitation prescribed by applicable laws.

4.3 Litigation. Except for those matters set forth on Exhibit F attached hereto, there is no action, suit or proceeding pending or threatened before any court or government or administrative body or agency which may reasonably be expected to (a) result in a material adverse change in the activities, operations, assets or properties of the Borrower or in the condition, financial or otherwise, of the Borrower; or (b) impair the ability of the Borrower to perform its obligations under this Agreement and the Note. The Borrower is not in default with

respect to any judgment, writ, injunction, decree, rule or regulation of any court or any governmental or administrative body or agency binding upon the Borrower. There is no action, suit or proceeding pending or threatened, challenging the validity of the Note or this Agreement.

4.4 No Conflicts. The execution, delivery and performance by the Borrower of this Agreement, the execution and delivery of the Note and the incurrence of the indebtedness provided for hereunder will not violate any provision of law, any order, rule or regulation of any court or governmental or regulatory body, or any provision of law creating or governing the Borrower, or any indenture or deed of trust, agreement or instrument to which the Borrower is a party or to which the Borrower or its assets or properties are bound, or conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, any such indenture or deed of trust, agreement or instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the assets or properties of the Borrower, except as otherwise expressly permitted, required or contemplated by this Agreement.

4.5 Approvals and Consents. Other than the approvals and consents previously provided to Fannie Mae and described on Exhibit D attached hereto (collectively, the "Required Consents"), no public referendum or other voter approval, and no consent, approval or authorization of, or declaration or filing with, any governmental or administrative body or agency is required for the valid execution, delivery and performance by the Borrower of this Agreement or for the execution and delivery of the Note and the incurrence of the indebtedness evidenced thereby.

4.6 No Default or Event of Default. The Borrower is in compliance with all of the terms and provisions set forth in this Agreement on its part to be observed or performed, and no Event of Default specified in Article VI, or any event which upon notice or lapse of time or both would constitute any such Event of Default, has occurred and is continuing.

4.7 Financial Condition. The Borrower has heretofore furnished to Fannie Mae the Borrower's audited financial statements, containing a balance sheet and the related statements of support, revenue, expense, changes in fund balance and changes in financial position, for each of the three (3) preceding fiscal years of the Borrower. Such financial statements and all other financial statements and information furnished or to be furnished to Fannie Mae hereunder have been and will be prepared in accordance with generally accepted accounting principles and fairly present the financial condition of the Borrower as of the dates thereof and the results of the Borrower's operations for the periods covered thereby. No material adverse change in the business, financial condition, prospects or operations of the Borrower has occurred since the date of the most recent of such financial statements.

4.8 Accuracy of Information. No information, exhibit, report, statement, certificate or document furnished by the Borrower or any other person to Fannie Mae in connection with the Credit Facility, this Agreement or the negotiation thereof contains any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained herein or therein not misleading.

4.9 Required Debt Service Coverage Amount. The Borrower maintains the Required Debt Service Coverage Ratio.

4.10 Borrower's Current Credit Rating. The Borrower has been assigned long term issuer credit ratings by the following rating agencies (each a "Rating Agency" and collectively the "Rating Agencies"): (a) Standard & Poor's Ratings Group ("S&P"); and (b) Moody's Investors Services ("Moody's"). The Rating Agencies have assigned the following long term issuer credit ratings to the Borrower: (a) S&P: AA-; and (b) Moody's: Aa3, and such ratings have not been reduced, revoked or withdrawn, and the current ratings outlook for the Borrower by each Rating Agency is either "Positive" or "Stable". The Borrower is not aware of any pending change to such credit ratings or current ratings outlook.

4.11 Compliance with Applicable Laws and Requirements. The Borrower hereby warrants that the plans and specifications for the Acceptable Project comply in all material respects with all recorded lawful covenants and agreements related to the Acceptable Project (including leases) and all applicable local, state and federal laws, ordinances, government restrictions and regulations, including all laws, ordinances, regulations, requirements and covenants pertaining to health and safety, construction of the Acceptable Project, fair housing, equal opportunity, anti-discrimination, environmental protection, zoning and land use, and leases, including, without limitation, the Fair Housing Act, as amended, and the Americans with Disabilities Act, as amended (collectively, "Applicable Laws and Requirements").

4.12 Changes to Loan Program Criteria. There have been no changes to the Borrower's lending guidelines, loan program guidelines, and any other standards or procedures for the administration of its loans, which have been delivered to and approved by Fannie Mae.

4.13 Compliance with Loan Program Criteria. As of the date of this Agreement, the Borrower has complied in all respects with its Loan Program Criteria, lending guidelines, loan program guidelines, and any other standards or procedures for the administration of its loans.

ARTICLE V **COVENANTS OF THE BORROWER**

The Borrower covenants and agrees that, so long as any sums due under this Agreement or the Note remain unpaid, and so long as the term of the Credit Facility has not ended, unless Fannie Mae otherwise consents in writing:

5.1 Use of Proceeds; Source of Repayment of the Credit Facility. Borrower will use the proceeds of the Credit Facility solely and exclusively for the purposes set forth in Section 1.4 of this Agreement. No grants, loans, investments or other financial assistance of any kind from Fannie Mae or the Fannie Mae Foundation will be used to repay, or facilitate the repayment of, the Credit Facility.

5.2 Payment of Obligations. Borrower will punctually pay the principal of and interest on the Credit Facility at the times and places, in the manner and in accordance with the terms of this Agreement, the Note and any other document executed in connection with the Credit Facility.

5.3 Corporate Existence. Borrower will do or cause to be done all things necessary to maintain its existence as a political subdivision of the State, and comply in all material respects with all laws and regulations applicable to it.

5.4 Payment of Indebtedness and Taxes, if any. Borrower will pay all of its indebtedness and obligations promptly and in accordance with their respective terms, file or cause to be filed all federal, state and local tax or information returns, if any, which are required to be filed by it and pay and discharge or cause to be paid and discharged promptly any taxes or assessments and governmental charges or levies, if any, imposed upon it or upon its income or profits, or upon any of its property or upon any part thereof, before the same become in default, as well as all lawful claims for labor, materials and supplies or otherwise which, if unpaid, might become a lien or charge upon such property, or any part thereof; provided, however, that the Borrower will not be required to pay and discharge or to cause to be paid and discharged any such indebtedness, obligation, tax, assessment, charge, levy or claim so long as the validity thereof is contested in good faith by appropriate proceedings.

5.5 Financial Statements.

(a) Borrower will furnish, or cause to be furnished, to Fannie Mae as soon as available after the end of each fiscal year of the Borrower, but in no event later than two hundred seventy (270) days after the end of each fiscal year of the Borrower, the audited financial statements of the Borrower, consisting of the balance sheet of the Borrower as of the end of such fiscal year and the related statements of support, revenue, expenses, changes in fund balance and changes in financial position of the Borrower, which financial statements must be audited by an independent certified public accountant acceptable to Fannie Mae, together with an analysis from the Borrower's finance director of Non-Ad Valorem Revenues evidencing that the Borrower maintains the Required Debt Service Coverage Ratio,.

(b) Borrower will furnish, or cause to be furnished, to Fannie Mae as soon as available after the end of each calendar quarter, but in no event later than sixty (60) days after the end of each calendar quarter, internally prepared financial statements of the Borrower, consisting of the balance sheet of the Borrower as of the end of such calendar quarter and the related statements of support, revenue, expenses, changes in fund balance and changes in financial position of the Borrower, all related to the Borrower's governmental fund.

5.6 Notification of Default Under the Credit Facility. Borrower will notify Fannie Mae in writing of any event or circumstance which constitutes (or, with notice or lapse of time or both, would constitute) an Event of Default hereunder within three (3) Business Days after the Borrower has knowledge of such event or circumstance.

5.7 Actions, Suits or Proceedings. Borrower will within thirty (30) days after the commencement of any action, suit or proceeding that could have a material adverse effect on the business, operations, properties, programs, projects or condition (financial or otherwise) of the Borrower or on the ability of the Borrower to perform its obligations under this Agreement or the Note, provide written notice to Fannie Mae of such action, suit or proceeding.

5.8 Other Information. Borrower will, with reasonable promptness, provide Fannie Mae with such other information respecting the business, operations, properties, programs, projects (including the Acceptable Projects) or condition (financial or otherwise) of the Borrower including, without limitation, an Advance Certification, any and all local, state or federal audits or reports relating to the Acceptable Projects, or the use of the Credit Facility proceeds, as Fannie Mae may reasonably request from time to time; provided, however, in no event will such information be delivered to Fannie Mae later than thirty (30) days after the date of Fannie Mae's request therefor.

5.9 Compliance with Laws and Requirements.

(a) During the term hereof, Borrower will comply in all material respects with all Applicable Laws and Requirements.

(b) Borrower will obtain and maintain in good standing all consents, licenses, permits, approvals and other authorizations necessary or advisable in the conduct of Borrower's business, the development and construction of the Acceptable Project in accordance with the plans and specifications and the sale of the units of the Acceptable Project as contemplated hereby.

(c) Borrower will take appropriate measures to prevent, and will not engage in or knowingly permit, any illegal activities that could result in damage to the Acceptable Project, or result in forfeiture of the Acceptable Project.

(d) Borrower represents and warrants to Fannie Mae that, to the best of its knowledge, no portion of the Acceptable Project has been or will be purchased with the proceeds of any illegal activity.

(e) Borrower will at all times maintain records sufficient to demonstrate compliance with the provisions of this Section 5.9.

5.10 Keeping of Books and Records; Examination.

(a) Borrower will keep proper books of records and accounts, containing complete and accurate entries of all financial and business transactions relating to the business, operations, properties, programs, projects (including, specifically, the Acceptable Projects) or condition (financial or otherwise) of the Borrower in conformity with generally accepted accounting principles and all requirements of any laws, rules or regulations applicable to the Borrower.

(b) Borrower will permit any representative of Fannie Mae to examine the books and records of the Borrower relating to the Credit Facility and the Acceptable Projects and to make copies and take extracts therefrom, and to discuss the condition (financial or otherwise) or prospects of the Borrower with the authorized staff of the Borrower and the Borrower's independent certified public accountants, all at such reasonable times during normal business hours upon reasonable notice and as often as Fannie Mae may reasonably request.

5.11 Reporting Requirements. Borrower will furnish, or cause to be furnished, to Fannie Mae the following, which must be satisfactory to Fannie Mae in both form and substance:

(a) On or before the first (1st) day of each fiscal year of the Borrower, an annual budget for the upcoming fiscal year, which will include a specific line item reference to the appropriation from Non-Ad Valorem Revenues of the amount due under the Credit Facility in accordance with Section 2.1(d) of the Agreement;

(b) Within thirty (30) days following the end of each calendar quarter, reports detailing the status of the construction loan program including but not limited to loans outstanding, status of construction, any material delays or program setbacks, estimated completion date, pre-sales and pre-qualified buyers waiting for units to become available together with a certification that Acceptable Projects have been inspected and are within permitted tolerances, and that Borrower will approve construction draw requests and either inspect the site or have an independent inspector to evaluate each draw against percentage of completion to total amount drawn as well as line item expenses and an Advance Certification.

5.12 Publicity. Borrower will cooperate with Fannie Mae with respect to any publicity relating to the Credit Facility and each Acceptable Project and Borrower will not schedule any publicity-related events relating thereto without at least fifteen (15) days' prior written notice to Fannie Mae. Borrower will offer Fannie Mae the opportunity to participate in any such publicity-related events. If requested by Fannie Mae, Borrower, at its cost and expense, will erect and maintain, at a suitable location on the site during the construction of the Acceptable Project, a sign indicating that financing for the Acceptable Project is being provided by Fannie Mae, the location and content of which sign is subject to the approval of Fannie Mae. Except as required by law or regulation, Borrower will not disclose to any third parties or to the public the terms of this Agreement or any other information related to the Credit Facility without Fannie Mae's prior written consent. Borrower will not use the terms "Fannie Mae", "American Communities Fund", "ACF" or any combination thereof without Fannie Mae's prior written consent.

5.13 No Further Encumbrances. Borrower will not hereafter mortgage, grant a security interest in, assign, convey, sell, lease, pledge or otherwise dispose of or encumber all or any part of its interest in (i) any Acceptable Project or any income stream therefrom or, except as otherwise provided in Section 2.1 hereof, any security or collateral granted by the Borrower to Fannie Mae pursuant to the terms and conditions hereof, or (ii) any promissory notes, mortgages, assignments, guaranties, or any other supporting obligations, agreements, documents, or instruments evidencing or securing the payment or performance of any of the loans from Borrower to developers for Acceptable Projects, or permit any such action or similar action to be taken.

5.14 Fees. Borrower will pay all reasonable costs, charges, taxes and other expenses incurred by Fannie Mae and the Borrower in connection with making the Credit Facility whether or not the Credit Facility closes, including, without limitation, fees of Fannie Mae's legal counsel (collectively, the "Closing Fees"). The Closing Fees will be due and payable as provided in Article III.

5.15 Borrower's Credit Rating. Borrower will maintain at all times long term issuer credit ratings at least: (a) S&P: AA-; and, (b) Moody's: Aa3. If any credit rating assigned to the Borrower by one (1) or more of the two (2) Rating Agencies is downgraded, the Borrower will fail to be in compliance with this covenant.

5.16 Notification of Downgrade. Borrower will notify Fannie Mae in writing in the event any of the Rating Agencies downgrades the Borrower's long term issuer credit rating within ten (10) days after the Borrower has knowledge of such downgrade.

5.17 Change to Financial Condition. Borrower will notify Fannie Mae of any material adverse change to its financial condition, whether the result of a single change or several changes that collectively are material, within three (3) Business Days after the Borrower has knowledge of such material adverse change.

5.18 Debt Service Coverage. The Borrower will maintain at all times Non-Ad Valorem Revenues sufficient to satisfy the Required Debt Service Coverage Ratio.

5.19 Changes to Loan Program Criteria. Borrower will not revise, amend, supplement, replace or otherwise change Borrower's Loan Program Criteria, lending guidelines, loan program guidelines, and any other standards or procedures for the administration of its loans without Fannie Mae's prior written consent, which will be granted or denied in Fannie Mae's reasonable discretion.

5.20 Compliance with Loan Program Criteria. Borrower will at all times comply with its Loan Program Criteria, lending guidelines, loan program guidelines, and any other standards or procedures for the administration of its loans.

ARTICLE VI
EVENTS OF DEFAULT

6.1 Events of Default. The following events constitute Events of Default under this Agreement:

- (a) the failure by Borrower to make any payment of principal, interest or any other sums due hereunder or under the Note as and when due and payable;
- (b) if Borrower fails to comply with the provisions of Sections 5.15 and 5.16 relating to the Borrower's credit rating;
- (c) the failure of the Borrower to perform, observe or comply with any covenant, condition or agreement contained in this Agreement (other than those referred to in paragraphs (a) and (b) above), the Note, or any other instrument, document or agreement now and hereafter executed, delivered or furnished by the Borrower evidencing, securing, or in connection with this Agreement (hereinafter collectively referred to as the "Loan Documents"), and such failure is not cured within thirty (30) days of notice thereof by Fannie Mae to the Borrower;
- (d) if any representation or warranty made in writing by or on behalf of the Borrower herein or pursuant hereto was incorrect in any material respect on the date as of which it was made;
- (e) if the Borrower (i) ceases operations; (ii) applies for or consents to the appointment of a custodian, receiver, trustee or liquidator for it or for all or a substantial part of its assets or properties; (iii) generally fails to pay its debts as they become due or admits in writing its inability to pay its debts as they become due; (iv) makes an assignment for the benefit of creditors; or (v) files a petition commencing a voluntary case under any chapter of the Bankruptcy Code, 11 U.S.C. Section 101, *et seq.*, or a petition seeking for itself any reorganization or arrangement with creditors or to take advantage of any bankruptcy, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law; or Borrower takes action for the purpose of effecting any of the foregoing;
- (f) an order for relief, judgment or decree against the Borrower is be entered by any court of competent jurisdiction approving a petition seeking reorganization, arrangement, readjustment, dissolution or liquidation of all or a substantial part of the Borrower's assets or properties, or appointing a custodian, receiver, trustee or liquidator for the Borrower, and such order, judgment or decree continues undischarged and in effect for a period of sixty (60) consecutive days without a stay of execution;
- (g) the occurrence of any change in the financial condition of the Borrower which, in the good faith judgment of Fannie Mae, is materially adverse, and any such change is not

cured to the satisfaction of Fannie Mae within thirty (30) days after the date of written notice thereof by Fannie Mae to the Borrower; or

(h) if the Borrower fails to extend, amend or to take any necessary action to keep the Letter of Credit current and in good standing.

6.2 Remedies on Occurrence of an Event of Default. If any Event of Default occurs, Fannie Mae may exercise all or any of the following remedies:

(a) Fannie Mae, by written notice to the Borrower, may declare the Credit Facility hereunder and any obligation of Fannie Mae to make Advances to the Borrower to be terminated and declare the entire outstanding principal balance of the Note, together with interest and all other charges accrued hereunder, to be immediately due and payable, whether or not Fannie Mae has initiated any other action for the enforcement of the Note, whereupon the Credit Facility will immediately terminate and the Note will be immediately due and payable, as to principal, interest and all other amounts, payable without presentment, demand, protest or any other notice or action of any kind, all of which are hereby expressly waived by the Borrower; and/or

(b) Fannie Mae may, without notice to Borrower, protect and enforce its rights by any appropriate proceedings, judicial or otherwise, including, in appropriate cases, seeking an award for specific performance or other equitable remedy in aid of the exercise of power granted in or pursuant to this Agreement or in any of the other Loan Documents; and/or

(c) Fannie Mae may, without notice to Borrower, draw upon the Letter of Credit; and/or

(d) Fannie Mae may, without notice to Borrower, exercise any other remedy available to it under applicable law and/or principles of equity.

6.3 Default Interest Rate.

(a) Upon the occurrence of an Event of Default and continuing until such Event of Default is cured to Fannie Mae's satisfaction, the rate of interest accruing on the outstanding principal balance of the Note will automatically, and without any action or notice by Fannie Mae, be increased by three (3) percentage points above the rate of interest otherwise applicable (the "Default Rate"), independent of whether Fannie Mae elects to exercise any of its other remedies under this Agreement or the Note.

(b) Notwithstanding anything to the contrary contained herein or in any of the other the Loan Documents, the effective rate of interest on the obligation evidenced by the Note will not exceed the lawful maximum rate of interest permitted to be paid by the Borrower. Without limiting the generality of the foregoing, in the event that the interest charged hereunder results in an effective rate of interest higher than that lawfully permitted to be paid, then such charges will be reduced by the sum sufficient to result in an effective rate of interest permitted

and any amount which would exceed the highest lawful rate already received and held by Fannie Mae will be applied to a reduction of principal and not to the payment of interest. Borrower agrees that for the purpose of determining highest rate permitted by law, any non-principal payment (including, without limitation, late charges and other fees) will be deemed, to the extent permitted by law, to be an expense, fee or premium rather than interest.

6.4 Payment of Enforcement Costs. The Borrower agrees to pay to Fannie Mae on demand, solely from the sources provided for payment of the principal and interest on the Note as described in Section 2.1 hereof, (a) all Enforcement Costs paid, incurred or advanced by or on behalf of Fannie Mae, and (b) interest on such Enforcement Costs from the date paid, incurred or advanced until paid in full at a per annum rate of interest equal at all times to the Default Rate. As used herein, the term "Enforcement Costs" means and includes all expenses, charges, recordation or other taxes, costs and fees (including reasonable attorneys' fees and expenses) of any nature whatsoever advanced, paid or incurred by or on behalf of Fannie Mae in connection with (i) the collection or enforcement of this Agreement or the Note, (ii) the creation, perfection, maintenance, preservation, defense, protection, realization upon, disposition, collection, sale or enforcement of all or any part of the collateral securing the Note, and (iii) the exercise by Fannie Mae of any rights or remedies available to it under the provisions of this Agreement or the Note.

ARTICLE VII **MISCELLANEOUS**

7.1 Entire Agreement. This Agreement and the Exhibits and Schedules attached hereto constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, written or oral, in respect thereof, and will not be terminated, extended, amended or modified in any fashion except by instrument in writing signed by both parties. The Exhibits and Schedules attached hereto are incorporated in and made a part of this Agreement.

7.2 Notices. Any notice or communication given pursuant hereto by either of the parties hereto to the other party hereto must be in writing and will be deemed to have been given or made when delivered by hand or the next Business Day when deposited with a nationally recognized overnight courier for delivery the next Business Day, as follows:

If to the Borrower: St. Johns County, Florida
 County Administrators Building
 4020 Lewis Speedway
 St. Augustine, FL 32084
 Attention: County Administrator and Finance Director

With a copy to: Edwards Cohen, Attorneys at law
 6 East Bay Street, Suite 500
 Jacksonville, FL 32202
 Attention: Jean Mangu, Esq.

If to Fannie Mae: Fannie Mae
3900 Wisconsin Avenue, N.W.
Mail Stop: 8H-306
Washington, DC 20016
Attention: Portfolio Administration Manager
American Communities Fund
Re: ACF #573

With a copy to: American Communities Fund
Fannie Mae
3900 Wisconsin Avenue, N.W.
Mail Stop: 8H-306
Washington, D.C. 20016
Attention: General Counsel
American Communities Fund
Re: ACF #573

or to such other address or addresses as are hereafter furnished as provided in this Section 7.2 by either of the parties hereto to the other party hereto in writing.

7.3 Waiver; Remedies. No delay on the part of either party hereto in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of either party hereto of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege under this Agreement nor will any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege under this Agreement.

7.4 No Assignment. The Borrower may not assign all or any portion of its rights under this Agreement without the prior written consent of Fannie Mae which consent may be granted or withheld by Fannie Mae in its sole and absolute discretion.

7.5 Captions. All Article and Section titles or captions contained in this Agreement are for convenience only and will not be deemed a part of this Agreement.

7.6 Variation of Pronouns. All pronouns and all variations thereof will be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

7.7 Counterparts. This Agreement may be executed in counterparts, each of which constitute an original and all of which, when taken together, constitute one agreement, and either party hereto may execute this Agreement by signing one or more counterparts thereof.

7.8 Governing Law. This Agreement is governed by and construed in accordance with the laws of the District of Columbia.

7.9 Taxable Interest. The Borrower and Fannie Mae acknowledge that the interest payable under the Note is not intended by the Borrower to be excludable from gross income for federal income tax purposes, and the Borrower has not taken, and will not take any action that would entitle any holder of the Note to exclude the interest payable under the Note from such holder's gross income for federal income tax purposes, including, but not limited to, the filing of an Internal Revenue Service Form 8038G or any other similar form.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

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

ATTEST:

ST. JOHNS COUNTY, FLORIDA

Name: _____
Title: _____

By: _____(Seal)
Name: _____
Title: _____

WITNESS:

FANNIE MAE

By: _____(SEAL)
Name: _____
Title: _____

LIST OF EXHIBITS

Exhibit A - Form of Promissory Note

Exhibit B - Form of Request for Advance

Exhibit C - Form of General Certificate of Borrower

Exhibit D - Required Consents

Exhibit E - Form of Opinion of Borrower's Counsel

Exhibit F - Pending Litigation

Exhibit G – Form of Letter of Credit

Exhibit H – Form of Letter of Credit Opinion Letter

Exhibit I – Rating Requirements for Letter of Credit Issuers

Exhibit J – Map or List of St. Johns County, FL, Designated Redevelopment Areas

Exhibit K – Certificate of Compliance with Debt Requirements

Exhibit L – Loan Program Criteria

Exhibit M – Certification of Acceptable Project

EXHIBIT A
FORM OF PROMISSORY NOTE

See Attached.

PROMISSORY NOTE

\$2,000,000.00

_____, 2007
District of Columbia

FOR VALUE RECEIVED, the undersigned (the "Borrower") promises to pay to the order of **FANNIE MAE**, a corporation organized and existing under the laws of the United States of America ("Fannie Mae"), at 3900 Wisconsin Avenue, N.W., Washington, DC 20016, or at such other place in the United States of America as Fannie Mae may designate, solely from the sources of funds provided therefor in this Note and hereinafter defined Agreement; the principal sum of Two Million Dollars (\$2,000,000), or so much of the principal sum as may have been advanced from time to time hereafter by Fannie Mae under the terms and conditions of a Loan and Security Agreement of even date herewith by and between Fannie Mae and the Borrower (the "Agreement"), together with interest thereon at the rate hereinafter provided, and any and all other sums which may be owing to the holder of this Note by the Borrower, on the ____ day of _____, 2011, which is the final and absolute maturity date of this Note (the "Credit Facility Expiration Date"), or on such earlier date specified by Fannie Mae if this Note is accelerated pursuant to the terms of this Note. The following terms apply to this Note. Capitalized terms used and other otherwise defined herein have the meanings given to such terms in the Agreement.

1. Interest Rate.

(a) For the period from the date of this Note until all sums due and owing under this Note have been paid in full, interest accrues on the unpaid principal balance of this Note at an adjustable rate, obtained by adding one hundred fifty (150) basis points to the three (3)-month LIBOR, adjusted quarterly, based on such rate as published in *The Wall Street Journal* on the last business day of the month immediately preceding each quarter; provided, however, that if such rate ceases to be published, Fannie Mae may select, in its sole and absolute discretion, a comparable index as a successor source for such rate (as so adjusted, the "Applicable Rate"). Notwithstanding the foregoing, for the period from the date hereof to but excluding July 1, 2007, the Applicable Rate is determined by reference to the three (3) month LIBOR published in *The Wall Street Journal* on the date hereof.

(b) Notwithstanding any other provision in this Note or in the Agreement, if Fannie Mae determines that any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Fannie Mae with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency makes it unlawful or impossible for Fannie Mae to maintain or fund loans that bear interest at an interest rate based on LIBOR, then, upon notice to the Borrower by Fannie Mae, the Applicable Rate will be converted to (i) an alternative rate based on another index having similar characteristics selected by Fannie Mae in its sole discretion, or (ii) if Fannie Mae determines no such alternative index exists, the Applicable Rate will be converted to a rate based upon the Prime Rate, as determined by Fannie Mae.

(c) If Fannie Mae now or hereafter becomes subject to any reserve, special deposit, insurance premium, capital adequacy or similar requirement against assets of, deposits with, or for the account of, or credit extended by, Fannie Mae, or any other condition is imposed upon Fannie Mae, which imposes a cost upon Fannie Mae, and the result, in the determination of Fannie, is to increase, directly or indirectly, the cost to Fannie Mae of making the Credit Facility to the Borrower, to reduce the amount of any sum received or receivable by Fannie Mae under this Note, or to reduce Fannie Mae's rate of return on its capital, the Borrower will pay to Fannie Mae upon demand such amount in respect of such increased cost or reduction as Fannie Mae may determine to be the additional sum required to compensate Fannie Mae for such increased cost or reduction. In determining such additional amounts, Fannie Mae may make such estimates, assumptions, allocations and the like which Fannie Mae in good faith determines to be appropriate, but Fannie Mae's selection thereof and Fannie Mae's determinations based thereon are conclusive and final and binding upon the Borrower

(d) Notwithstanding anything to the contrary contained herein or in any of the other the Loan Documents, the effective rate of interest on the obligation evidenced by this Note will not exceed the lawful maximum rate of interest permitted to be paid by the Borrower. Without limiting the generality of the foregoing, in the event that the interest charged hereunder results in an effective rate of interest higher than that lawfully permitted to be paid, then such charges will be reduced by the sum sufficient to result in an effective rate of interest permitted and any amount which would exceed the highest lawful rate already received and held by Fannie Mae will be applied to a reduction of principal and not to the payment of interest. Borrower agrees that for the purpose of determining highest rate permitted by law, any non-principal payment (including, without limitation, late charges and other fees) will be deemed, to the extent permitted by law, to be an expense, fee or premium rather than interest.

2. Repayment. (a) Interest accrued hereunder at the Applicable Rate will be paid in arrears in quarterly installments, beginning on October 1, 2007 and continuing on each January 1st, April 1st, July 1st and October 1st thereafter until the Credit Facility Expiration Date (but interest will begin to accrue upon closing of the Credit Facility).

(b) In addition, principal hereunder will be paid as follows:

(i) Any advance made in connection with a particular Acceptable Project will be due and payable upon the first to occur of either (A) thirty (30) days following closing of the sale of the Acceptable Project; or (B) at maturity of an individual loan qualifying as an Acceptable Project;

(ii) The Borrower expressly acknowledges that its obligations to repay Advances are in no way contingent upon the receipt of funds from any expected repayment source;

(iii) Notwithstanding the foregoing, the entire outstanding principal amount of this Note, together with all accrued and unpaid interest, as well as any other fees and charges due hereunder, will be due and payable in full on the Credit Facility Expiration Date.

(c) The Borrower may request that Fannie Mae extend the due date of any principal repayment under this Note other than within thirty (30) days of the sale of an Acceptable Project in accordance with the terms of Section 2(b)(i)(A), above, in accordance with the following terms:

(i) In order for Fannie Mae to consider a request to extend the due date of any principal repayment, the Borrower must deliver a written request for extension ("Extension Request") to Fannie Mae at least thirty (30) days before the due date of such principal repayment together with any additional information reasonably requested by Fannie Mae ("Extension Package"). If the Borrower fails to deliver the Extension Package to Fannie Mae thirty (30) days before the due date, the principal repayment will be due and payable in full on the applicable due date. Within fifteen (15) days after Fannie Mae receives all items to be included in the Extension Package, Fannie Mae will notify the Borrower whether Fannie Mae intends to extend such principal repayment due date for a three (3) month period (the "Extension Period"). If Fannie Mae does not respond within such fifteen (15) day period, its approval will be deemed to have been denied.

(ii) If Fannie Mae agrees to an Extension Period, it will deliver to the Borrower for signature a side agreement confirming the grant of the Extension Period and the new due date of the principal repayment ("Extension Option Agreement"). The grant of the Extension Option and the new due date of the principal repayment will not be effective until Fannie Mae receives the original Extension Option Agreement. If Fannie Mae does not receive the signed, original Extension Option Agreement on or before the the-effective principal repayment due date, no Extension Period will be granted and the principal repayment, together with all unpaid fees and costs, will be immediately due and payable in full.

(iii) Notwithstanding anything herein to the contrary, in no event, will the due date of any principal repayment be extended beyond the Credit Facility Expiration date.

(iv) Any extension of a principal repayment for an Extension Period will be granted or denied in the sole and absolute discretion of Fannie Mae, and in no event will Fannie Mae grant an Extension Period to the Borrower if an Event of Default as set forth in Section 6.1 of the Agreement has occurred.

3. Calculation of Interest. Interest is calculated on the basis of a three hundred sixty (360) days per year factor applied to the actual days on which there exists an unpaid principal balance. Fannie Mae will calculate interest and bill the Borrower for each appropriate period; provided, however, that failure of Fannie Mae to bill the Borrower does not relieve the Borrower's payment obligations hereunder.

4. Application of Payments; Manner of Payment. All payments made hereunder will be applied first to Enforcement Costs and late charges or other sums owing to the holder of this Note, next to accrued interest, and then to principal. All amounts payable hereunder must be paid in lawful money of the United States of America in immediately available funds, without deduction, set-off, defense or counterclaim, not later than 2:00 p.m. (District of Columbia time) on the date on which such payment becomes due (each such payment made after such time on such due date

will be deemed to have been made on the next succeeding Business Day) by wire transfer or by mail pursuant to the following instructions:

If by wire transfer: FNMA/NYC
ABA No. 021 039 500
GR371 (\$2,000,000 Loan from FNMA ACF to St. Johns County,
FL; ACF #573)
ATTN: HCDFFunds@MFAS

If by mail: Fannie Mae
3900 Wisconsin Avenue, N.W.
Mail Stop 11H/903
Washington, D.C. 20016
Attention: Multifamily Funds Operations
Re: ACF #573

5. Optional Prepayment. The Borrower may prepay this Note upon at least three (3) Business Days' prior written notice in whole or in part.

6. Late Payment Charge. If any payment due hereunder is not received by the holder of this Note within fifteen (15) days after its due date, the Borrower must pay a late payment charge equal to five percent (5%) of the amount then due and not received, for each month or portion of a month thereafter, until paid in full.

7. Security for the Note. This Note is secured as provided in the Agreement.

8. Acceleration Upon Event of Default. If any Event of Default occurs, Fannie Mae, by written notice to the Borrower, may declare the entire outstanding principal balance of this Note, plus all accrued and unpaid interest, and any other sums due hereunder to be immediately due and payable, without presentment, demand, protest or any other notice or action of any kind, all of which are hereby expressly waived by the Borrower.

9. Default Interest Rate. (a) Upon the occurrence of an Event of Default and continuing until such Event of Default is cured to Fannie Mae's satisfaction, the rate of interest accruing on the outstanding principal balance of this Note automatically, and without any action or notice by Fannie Mae, increases by three (3) percentage points above the rate of interest otherwise applicable (the "Default Rate"), independent of whether Fannie Mae elects to exercise any of its other remedies under the Agreement or this Note.

(b) Notwithstanding anything to the contrary contained herein or in any of the other the Loan Documents, the effective rate of interest on the obligation evidenced by this Note will not exceed the lawful maximum rate of interest permitted to be paid by the Borrower. Without limiting the generality of the foregoing, in the event that the interest charged hereunder results in an effective rate of interest higher than that lawfully permitted to be paid, then such charges will be reduced by the sum sufficient to result in an effective rate of interest permitted and any amount which would exceed the highest lawful rate already received and held by Fannie

Mae will be applied to a reduction of principal and not to the payment of interest. Borrower agrees that for the purpose of determining highest rate permitted by law, any non-principal payment (including, without limitation, late charges and other fees) will be deemed, to the extent permitted by law, to be an expense, fee or premium rather than interest.

10. Jurisdiction and Venue. In any action brought by Fannie Mae under this Note or this Agreement, Borrower consents to the exercise of personal jurisdiction over it by the courts of the District of Columbia and agrees that venue is proper in the District of Columbia, or in the United States District Court for the District of Columbia, in addition to any other court where venue may be proper. The Borrower waives and releases, to the extent permitted by law, all errors and all rights of exemption, appeal, stay of execution, inquisition and extension upon any levy on real estate or personal property to which the Borrower may otherwise be entitled under the laws of the United States of America or of any State or Possession of the United States of America now in force or which may hereafter be passed, as well as the benefit of any and every statute, ordinance, or rule of court which may be lawfully waived conferring upon the Borrower any right or privilege of exemption, stay of execution, or supplementary proceedings, or other relief from the enforcement or immediate enforcement of a judgment or related proceedings on a judgment.

11. Interest Rate After Judgment. If judgment is entered against the Borrower on this Note, the amount of the judgment entered (which may include principal, interest, default interest, late charges, fees and costs) bears interest at the Default Rate as of the date of entry of the judgment.

12. Expenses of Collection. The Borrower agrees to pay to Fannie Mae on demand, solely from the sources of funds provided therefor in the Agreement, (a) all Enforcement Costs paid, incurred or advanced by or on behalf of Fannie Mae, and (b) interest on such Enforcement Costs from the date paid, incurred or advanced until paid in full at a per annum rate of interest equal at all times to the Default Rate. As used herein, the term "Enforcement Costs" means and includes all expenses, charges, recordation or other taxes, costs and fees (including reasonable attorneys' fees and expenses) of any nature whatsoever advanced, paid or incurred by or on behalf of Fannie Mae in connection with (i) the collection or enforcement of the Agreement or this Note, (ii) the creation, perfection, maintenance, preservation, defense, protection, realization upon, disposition, collection, sale or enforcement of all or any part of the collateral securing this Note, and (iii) the exercise by Fannie Mae of any rights or remedies available to it under the provisions of the Agreement or this Note.

13. Waiver of Protest and Trial By Jury. The Borrower, and all parties to this Note, whether maker, indorser, or guarantor, waive presentment, notice of dishonor and protest. The Borrower hereby voluntarily and intentionally waives any right the Borrower may have to a trial by jury in any action, proceeding or litigation directly or indirectly arising out of, under or in connection with this Note, the Agreement or any of the other documents executed and delivered by the Borrower or Fannie Mae in connection therewith. This waiver is knowingly, willingly and voluntarily made by the Borrower and the Borrower hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver and Borrower further represents and warrants that it has been represented in the signing of this Note and in the making of this waiver by independent legal counsel.

14. Extensions of Maturity. All parties to this Note, whether maker, indorser, or guarantor, agree that the maturity of this Note, or any payment due hereunder, may be extended at any time or from time to time without releasing, discharging, or affecting the liability of such party; provided, however, that nothing in this Section 14 will be construed as entitling Borrower to any such extension.

15. Waiver. No waiver of any power, privilege, right or remedy (hereinafter collectively referred to as "Rights") hereunder is effective unless in writing. No delay on the part of Fannie Mae in exercising any Rights hereunder, or under any other instrument executed by the Borrower or any other party in connection with the transaction operates as a waiver thereof, and no single or partial exercise of any such Rights (including acceptance of late payments by Fannie Mae) precludes other or further exercise thereof, or the exercise of any other Rights. Waiver by Fannie Mae of any default by the Borrower, or any other party, does not constitute a waiver of any subsequent defaults, but is restricted to the default so waived. If any provision or part of any provision of this Note is contrary to any law that Fannie Mae might seek to apply or enforce, or should otherwise be defective, the other provisions, or part of such provisions, of this Note are not affected thereby, but continue in full force and effect. All Rights of Fannie Mae hereunder are irrevocable and cumulative, and not alternative or exclusive, and are in addition to all Rights given hereunder or in or by any other instrument or any laws now existing or hereafter enacted.

16. Notices. Any notice or communication given pursuant hereto must be given in accordance with the terms of the Agreement.

17. Choice of Law. This Note is to be delivered to and accepted by Fannie Mae in the District of Columbia, in which jurisdiction payments under this Note are to be made. Borrower and Fannie Mae have therefore agreed that this Note is governed and construed under the laws of the District of Columbia, without giving effect to any choice of law or conflict of law rules or provisions.

18. Invalidity of Any Part. If any provision or part of any provision of this Note, or the application thereof to any facts or circumstances, for any reason is held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provisions or the remaining part of any effective provisions of the Note, or the application of any provisions hereof to other facts or circumstances, and this Note will be construed as if such invalid, illegal, or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality, or unenforceability.

19. Advance Confirmation; Accounting for Advances. The terms of the Agreement and this Note govern the repayment and all other terms relating to each Advance. In making proof of this Note, no documents other than this Note are required. However, in making proof of the amount and terms of the outstanding Advances under the Note, the Request for Advance and Fannie Mae's records concerning payments made by the Borrower under the Note, are conclusive evidence of the outstanding amount of each Advance, absent manifest error.

20. Obligation to Repay. The Borrower hereby expressly agrees and acknowledges that the Borrower's obligation to repay this Note is an obligation of the Borrower, and Fannie

Mae has recourse against the Designated Revenues in satisfaction of such obligations, all in the manner and to the extent described in the Agreement. Notwithstanding the terms of this Section 20, Fannie Mae will not have recourse against any funds or assets that are restricted by law or regulation and to which the Borrower is prohibited from granting access to a third party. This Note shall not constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the Designated Revenues as provided in the Agreement. Fannie Mae shall not have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation in any form of any property therein to pay this Note, except to the extent otherwise specifically provided in the Agreement.

21. Taxable Interest. The Borrower and Fannie Mae acknowledge that the interest payable under this Note is not intended by the Borrower to be excludable from gross income for federal income tax purposes, and the Borrower has not taken, and will not take any action that would entitle any holder of this Note to exclude the interest payable hereunder from such holder's gross income for federal income tax purposes, including, but not limited to, the filing of an Internal Revenue Service Form 8038G or any other similar form.

22. Certification. It is hereby certified and recited that all conditions, acts, and things required by applicable laws to exist, to have happened or to have been performed precedent to and in connection with incurrence of debt of the Borrower, exist, have happened and have been performed and the indebtedness evidenced hereby is within every debt limitation applicable to the Borrower and prescribed by applicable laws.

IN WITNESS WHEREOF, intending to be legally bound hereby, the Borrower has caused this Note to be executed in its name, under its seal and on its behalf by its duly authorized officer, as of the day and year first written above with the intention that it constitutes an instrument under seal.

ATTEST:

BORROWER:

ST. JOHNS COUNTY, FLORIDA

Clerk of its Board of
County Commissioners

By: _____ (SEAL)
Name: _____
Title: Chairman of its Board of
County Commissioners

EXHIBIT B

FORM OF REQUEST FOR ADVANCE

See Attached.

REQUEST FOR ADVANCE

Name of the Acceptable Project: _____

Location of the Acceptable Project: _____

Amount of Requested Advance: \$ _____

In connection with this Request for Advance delivered pursuant to the Loan and Security Agreement, dated as of _____, 2007 (the "Agreement"), between St. Johns County, Florida (the "Borrower") and Fannie Mae ("Fannie Mae"), the Borrower hereby requests an advance in the amount referenced above (the "Advance"), and represents, warrants, certifies and covenants to Fannie Mae as follows:

1. The following items (collectively, the "Required Submissions") have been delivered to Fannie Mae and are true, correct and complete as of the date of this Request for Advance:

(a) a description of the Acceptable Project, including the location of the Acceptable Project, the scope of the Acceptable Project, the number of units in the Acceptable Project, the income level anticipated to be served by the Acceptable Project, and the projected completion date for the Acceptable Project;

(b) a sources and uses of funds statement of the Acceptable Project;

(c) a written statement indicating the expected source of repayment for the Advance, which source must be acceptable to Fannie Mae;

(d) a written statement indicating the estimated repayment date of the Advance, which date must not exceed the Credit Facility Expiration Date;

(e) specifications of site inspections conducted by Borrower or an independent inspector;

(f) a certification in the form attached to the Agreement as Exhibit M that the Acceptable Project complies with the loan program criteria; and

(g) such other information as was reasonably requested by Fannie Mae.

2. The Advance will be used by the Borrower for the Acceptable Project identified above and for no other purpose without express written approval by Fannie Mae.

3. The Borrower represents and warrants that the conditions precedent set forth in Article III of the Agreement have been satisfied.

4. The Borrower represents and warrants that all Advances made previously by Fannie Mae pursuant to the Agreement were made in accordance with the terms and conditions of the Agreement and that the proceeds of such Advances were used by Borrower solely for costs and expenses incurred in connection with the Acceptable Project for which it was intended or closing costs relating to the Credit Facility.

5. No Event of Default or event which, with the giving of notice, the lapse of time, or both, would constitute an Event of Default, has occurred and is continuing under the Agreement.

6. Borrower represents and warrants that the following source(s) of repayment has/have been identified by Borrower as the source of repayment of the Advance:

_____.

7. Borrower affirms that all representations and warranties made in connection with the closing of the Credit Facility (defined in the Agreement) are true and complete as of the date of this Request for Advance.

8. Borrower directs that the Advance be disbursed directly into Borrower's account by bank wire transfer pursuant to the following wiring instructions:

Name of Bank: _____
ABA No.: _____
Account Name: _____
Account No.: _____

The Borrower understands that, in funding this Advance under the Credit Facility, Fannie Mae is relying on the representations and certifications in this Request for Advance and on the completeness, truth and accuracy of the Required Submissions. All capitalized terms used in this Request for Advance which are not otherwise defined herein have the meanings set forth in the Agreement.

ST. JOHNS COUNTY, FLORIDA

By: _____
County Administrator

By: _____
Clerk of its Board of County Commissioners

EXHIBIT C
FORM OF GENERAL CERTIFICATE OF BORROWER

See Attached.

GENERAL CERTIFICATE OF BORROWER

\$2,000,000 CREDIT FACILITY FROM
FANNIE MAE TO ST. JOHNS COUNTY, FL

This General Certificate (this "Certificate") is being executed and delivered in connection with the above-referenced credit facility (the "Credit Facility").

The undersigned hereby certify as to the matters set forth in all of the following paragraphs. All capitalized terms used herein have the same meaning as set forth in the Loan and Security Agreement dated as of _____, 2007 (the "Agreement") by and between St. Johns County, Florida, a political subdivision of the State of Florida (the "Borrower"), and Fannie Mae, a corporation organized and existing under the laws of the United States of America ("Fannie Mae").

1. Ben Rich is the duly elected and qualified Chairman of the Board of the County Commissioners of the Borrower (the "Board"), serving in such capacity and the signature set forth in the space indicated for his name below is his true and genuine signature.

2. Cheryl Strickland is the duly elected and qualified Clerk of the Board, serving in such capacity and the signature set forth in the space indicated for her name below is her true and genuine signature.

3. Waldemar Kropacek is the duly elected and qualified Interim County Administrator of the Borrower, serving in such capacity and the signature set forth in the space indicated for his name below is his true and genuine signature.

4. The Borrower is a duly created and validly existing political subdivision of the State of Florida.

5. The proper and correct name of the Borrower is "St. Johns County".

6. The seal, an impression of which appears below, is the duly adopted, proper and only official seal of the Borrower.

7. Attached hereto as Exhibit 1 is a true, correct and complete copy of Resolution No. ____ (the "Resolution"), adopted by the Board at a regular meeting duly called and held on _____. A proper quorum was present throughout such meeting, and the Resolution was duly proposed, considered and adopted in conformity with all applicable requirements, and all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed. The Resolution has not been amended, repealed or rescinded since its original adoption and is in full force and effect on the date of this Certificate.

8. Attached hereto as Exhibit 2 is a true, correct and complete copy of Ordinance No. ____ (the "Ordinance"), enacted by the Board at a regular meeting duly called and held on

_____ . A proper quorum was present throughout such meeting, and the Ordinance was duly proposed, considered and enacted in conformity with all applicable requirements, and all other requirements and proceedings incident to the proper enactment of the Ordinance have been duly fulfilled, carried out and otherwise observed. The Ordinance has not been amended, repealed or rescinded since its original enactment and is in full force and effect on the date of this Certificate.

9. There is no action, suit, litigation or investigation nor are there any administrative proceedings pending or, to the best of our knowledge, threatened, in or before any court, governmental agency, public body or board, either state or federal, at law or in equity, calling into question the creation, organization or the boundaries of the Borrower, the validity of the Resolution or the Ordinance, the documents authorized therein or the transactions contemplated thereby, the authority of the Borrower to make or perform its obligations under the Resolution or the Ordinance, or the entitlement of the present officials of the Borrower to their respective offices.

10. There is no action, suit, proceeding or investigation, at law or in equity, before or by any court, any governmental agency, or any public board or body pending or to the best of our knowledge threatened against the Borrower: (a) in any way contesting or affecting (i) the Agreement, (ii) any of the other documents executed by the Borrower in connection with the Credit Facility, or (iii) the performance by the Borrower of any of its obligations under the documents executed by the Borrower; or (b) wherein an unfavorable decision, ruling or finding would materially adverse affect the transactions contemplated by the Resolution or the Ordinance.

11. Neither the adoption and implementation of the Resolution, nor the making and performance of the Borrower's obligations under the documents executed by the Borrower authorized therein (the "Loan Documents"), nor the transactions contemplated thereby will violate any provisions of law or regulation, or any decree, writ, order or injunction, or contravene the provisions or constitute a default under any agreement, indenture, loan resolution or other instrument to which the Borrower is a party or by which the Borrower is bound.

12. Ben Rich, as Chairman of the Board, did officially cause the Agreement and the Note to be executed in the name of the Borrower by his manual signature, and, if required on the particular document, the impression of the official seal of the Borrower to be affixed thereto and attested by the manual signature of the Clerk of the Board. Ben Rich, as Chairman of the Board, by execution thereof, did officially approve the final forms of the Agreement and the Note and the other Loan Documents executed and delivered by him in the name of the Borrower.

13. The County Administrator of the Borrower is hereby designated as the authorized Borrower representative ("Authorized Borrower Representative") and he is authorized to take all actions and to do all things as Authorized Borrower Representative which are required or permitted under the terms of the Agreement, and the signature set forth above his name below is his true and genuine signature.

14. On the Closing Date, which is also the date of this Certificate, we are the duly chosen, qualified, and acting officers indicated on the Loan Documents, and on this Certificate, and are duly authorized to cause the Loan Documents to be executed as recited above and to effect all other transactions contemplated by the Loan Documents.

15. Neither the Resolution, the Ordinance nor any other proceedings of the Borrower (a) authorizing the Credit Facility, (b) approving the Loan Documents, and (c) authorizing the execution and delivery of the Loan Documents on behalf of the Borrower have been rescinded or repealed or modified and amended in any respect, and all are in full force and effect on the date hereof.

16. Each and all of the representations and warranties made by the Borrower in the Agreement and in the other Loan Documents are true and correct on the date hereof as if the same were made on the date hereof.

17. The Borrower is not in default in the performance or observance of any of the covenants, conditions, agreements or provisions of the Agreement.

18. The Borrower has duly performed all of its obligations and has satisfied all conditions on its part to be performed or satisfied under the Agreement at or prior to the Closing Date and each of the representations of the Borrower therein is true and correct in all material respects.

WITNESS our official signatures and seal of the Borrower on _____, 2007.

_____(Seal)

_____(Seal)

_____(Seal)

The undersigned, being the duly appointed County Attorney, hereby certifies that Ben Rich, Cheryl Strickland and Waldemar Kropacek are the Chairman of the Board of County Commissioners, the Clerk of the Board of County Commissioners and the Interim County Administrator, respectively, of the Borrower, and that the signatures set forth above are their true and genuine signatures, which signatures were affixed in the presence of the undersigned.

Witness my hand and seal as of the __ day of _____, 2007.

_____(SEAL)
Patrick F. McCormack
County Attorney

Attachments:

Exhibit 1 – Resolution No. _____

Exhibit 2 – Ordinance No. _____

EXHIBIT 1 TO GENERAL CERTIFICATE OF BORROWER

RESOLUTION

See Attached.

EXHIBIT 2 TO GENERAL CERTIFICATE OF BORROWER

ORDINANCE

See Attached.

EXHIBIT D

REQUIRED CONSENTS

Other than the Resolution and Ordinance of the Borrower attached as Exhibit 1 and Exhibit 2 to the General Certificate of the Borrower, there are no other "Required Consents," pursuant to Section 4.5 of the Agreement to which this Exhibit is attached and of which this Exhibit is a part.

Name: _____
Title [Officer of Borrower] _____

EXHIBIT E

FORM OF BORROWER'S COUNSEL OPINION

_____, 2007

Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Ladies and Gentlemen:

This opinion is being delivered to you pursuant to subsection 3.1(a) of that certain Loan and Security Agreement dated as of _____, 200__ (the "Loan Agreement"), between Fannie Mae, a corporation organized and existing under the laws of the United States of America ("Fannie Mae") and St. Johns County, Florida, a political subdivision of the State of Florida (the "Borrower"). All undefined capitalized terms used herein which are defined in the Loan Agreement have the same meaning herein as therein.

We serve as counsel for the Borrower and has acted in such capacity in connection with the execution and delivery of the Loan Agreement and the Note. In furnishing this opinion, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, loans, records and other instruments, including, but not limited to, the Loan Agreement, the Note, and the General Certificate of Borrower (collectively, the "Loan Documents"), and have made such inquiries as we have deemed necessary or appropriate for the purposes hereof.

With respect to our opinions set forth herein, as to any documents which expressly state that they are governed by the laws of any jurisdiction other than the State of Florida, with your consent, we have assumed for purposes of rendering the opinions set forth below (without undertaking to verify the accuracy of such assumptions), that the law of such other jurisdiction, both as to statutory and common law, is identical in all respects to the law of the State of Florida.

Based upon the foregoing, we are of the opinion that under the laws of the State of Florida:

1. The Borrower is a political subdivision of the State of Florida duly created and validly existing under the Constitution and the laws of the State of Florida. The Borrower has the power and authority to own its assets and properties, to carry on its activities as now conducted by it and to execute, deliver and perform under the Loan Agreement, to execute and deliver the Note and to borrow under the Loan Agreement.

2. Each of Resolution No. _____, adopted by the Board of County Commissioners of the Borrower at a regular meeting duly called and held on _____, 2007 (the

“Resolution”) and Ordinance No. _____, enacted by said Board at a regular meeting duly called and held on _____, 2007 (the “Ordinance”) was duly and properly adopted, or enacted, as the case may be, by the Borrower in conformity with all applicable requirements and proceedings, and all such requirements and proceedings (including all postings and publications) incident to the proper adoption, or enactment, as the case may be, and effectiveness of the Resolution and the Ordinance have been duly fulfilled, carried out and otherwise observed, and the Resolution and the Ordinance are in full force and effect on the date hereof. Neither the Resolution, the Ordinance nor any other proceedings of the Borrower (a) authorizing the Credit Facility, (b) approving the Loan Documents, and (c) authorizing the execution and delivery of the Loan Documents on behalf of the Borrower have been rescinded or repealed or modified or amended in any respect, and are in full force and effect on the date hereof.

3. The execution, delivery and performance by the Borrower of the Loan Documents and the borrowing under the Loan Agreement have been duly authorized by all requisite action. The Loan Documents have been duly executed and delivered by the Borrower, and assuming the due authorization, execution and delivery by Fannie Mae of the Loan Documents (as applicable), will each constitute the legal, valid and binding obligations of the Borrower, enforceable in each case in accordance with their respective terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency or other similar laws of general application or equitable principal relating to or affecting the enforcement of creditors' rights from time to time in effect.

4. Except those matters set forth on Exhibit F to the Loan Agreement, there is no action, suit or proceeding pending or, to our knowledge, threatened before any court or governmental or administrative body or agency which may reasonably be expected to (a) contest the creation, existence or boundaries of the Borrower or the entitlement of the present officials of the Borrower to their respective offices; (b) result in an adverse change (i) in the activities, operations, assets or properties, or (ii) in the condition, financial or otherwise, of the Borrower; (c) affect the validity or enforceability of any of the Loan Documents executed by or on behalf of the Borrower; or (d) impair the ability of the Borrower to perform its obligations under the Loan Agreement or the Note. The Borrower, to our knowledge, is not in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court or any governmental or administrative body or agency that would result in an adverse change in the activities, operations, assets or properties or in the condition, financial or otherwise, of the Borrower.

5. The entering into the Loan Agreement and the execution and delivery of the Note and the borrowing under the Loan Agreement will not result in a breach or violation of any of the terms or provisions of, or conflict with, result in a breach of, or constitute a default under any provision of law creating or governing the Borrower.

6. Neither the adoption and implementation of the Resolution, the enactment and implementation of the Ordinance, nor the entering into of the Loan Agreement and the execution and delivery of the Note and the borrowing under the Loan Agreement will, by its terms, to our knowledge, result in a breach or violation of any term or provision of any agreement, instrument,

indenture or deed of trust to which the Borrower is a party or by which it is bound or to which any portion of its property is subject.

7. The Borrower's entering into, delivery and performing under the Loan Agreement and the Note, and the borrowing under the Loan Agreement, will not, by the terms thereof, result in the creation or imposition of any lien, charge or encumbrance upon any of the assets or properties of the Borrower (other than the Designated Revenues), nor will such actions violate any statute or regulation applicable to the Borrower, nor will such actions violate any statute or regulation applicable to the Borrower or any order of any court or governmental or administrative agency or body having jurisdiction over the Borrower or any portion of its assets or property, to our knowledge, the violation of which is likely to have an adverse effect on the activities, operations, assets or properties or on the condition, financial or otherwise, of the Borrower.

8. Other than the Resolution and the Ordinance, no consent, approval or authorization of, or declaration or filing with, any governmental or administrative body or agency on the part of the Borrower is required for the valid execution, delivery and performance by the Borrower of the Loan Agreement or the Note, or the borrowing under the Loan Agreement.

9. All conditions, acts, and things required by applicable laws to exist, to have happened or to have been performed precedent to and in connection with incurrence of debt by the Borrower, exist, have happened and have been performed and the indebtedness evidenced by the Note is within every debt limitation prescribed by applicable laws.

In addition to the qualifications set forth above, the opinions set forth herein are also subject to the following qualifications:

We express no opinion as to the laws of any jurisdiction other than the laws of the State of Florida and the laws of the United States of America.

We assume no obligation to supplement this opinion if any applicable laws change after the date hereof or if we become aware of any facts that might change the opinions expressed herein after the date hereof.

The opinions expressed in this letter are solely for the use of addressee, its counsel and any participant in or successor or assignee of the Credit Facility and those opinions may not be relied on by any other persons without our prior written approval. The opinions expressed in this letter are limited to matters set forth in this letter, and no other opinions should be inferred beyond the matters expressly stated. Fannie Mae's counsel may rely on this opinion.

Very truly yours,

Name: _____
Title: _____

EXHIBIT F
PENDING LITIGATION

See Attached.

EXHIBIT G

FORM OF LETTER OF CREDIT

[Wachovia Bank, National Association Letterhead]

IRREVOCABLE LETTER OF CREDIT NO. _____

June __, 200__

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, DC 20016
ATTN: American Communities Fund

Dear Sir or Madam:

For the account of St. Johns County, Florida, we hereby open in your favor our Irrevocable Letter of Credit No. _____ ("Credit") for an amount not exceeding a total of U.S. \$200,000.00, effective immediately and expiring on August __, 2011.

Funds under this Credit are available to you upon your presentation of a sight draft(s) on us completed in substantially the form attached as Exhibit 1. Partial drawings are permitted; provided that in no event may drawings under this Letter of Credit exceed in the aggregate the stated amount of this Credit.

We will promptly honor all drafts drawn in compliance with the terms of this Credit if received on or before the expiration date at:

[Bank's address]

Drafts presented at our office at the address set forth above no later than 10:00 a.m. will be honored on the date of presentation, by payment, in accordance with your payment instructions that accompany each such draft. Drafts shall be considered as "presented" upon receipt by us via fax at either (336) 735-0952 or (336) 735-0953. Such presentation must be preceded by voice notification to us at (800) 776-3062. If requested by you, payment under this Credit may be made by wire transfer of immediately available funds to your account as specified in the draft or by deposit of same day funds in your designated account that you maintain with us or at another

financial institution located in the same (or later) time zone. All drawings under this Credit will be paid with our own funds.

This Credit sets forth in full the terms of our undertaking, and such undertaking will in no way be modified, amended or amplified by reference to any document, instrument or agreement referred to herein or in which this Credit is referred to or to which this Credit relates and any such reference will not be deemed to incorporate herein by reference any document, instrument or agreement.

We will promptly notify you of any notice received or action filed alleging our insolvency or bankruptcy, or alleging any violations of regulatory requirements which could result in suspension or revocation of our charter or license to do business. In the event we become unable to fulfill our obligations under this Credit for any reason, we will give you immediate notice.

This Credit is governed by and subject to the Uniform Customs and Practice for Documentary Credits (1993 version), International Chamber of Commerce Publication No. 500 ("UCP") and to the extent not inconsistent with the UCP, laws of the State of Florida.

Sincerely,

[NAME OF LETTER OF CREDIT ISSUER]

Name: _____

Title: _____

IRREVOCABLE LETTER OF CREDIT NO. _____

SIGHT DRAFT

[Name & Address of Letter of Credit Issuer]

_____, 200_

Pay on demand to Fannie Mae the sum of U.S. \$_____. This draft is drawn under your Irrevocable Letter of Credit No. _____.

FANNIE MAE

By: _____
Name: _____
Title: _____

EXHIBIT H

FORM OF LETTER OF CREDIT OPINION LETTER

_____, 200__

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, DC 20016
ATTN: American Communities Fund

This opinion is being furnished to you with respect to the issuance by Wachovia Bank, National Association (the "Bank") of its letter of credit No. _____ (the "Letter of Credit") in your favor.

We have acted as counsel to the Bank in connection with the preparation, execution and delivery of the Letter of Credit. We have examined a certificate of the [Comptroller of the Currency or other charterer¹] of recent date as to the operating history of the Bank and as to the valid certification of the Bank to do business as a national banking association. We have also examined a certificate of a _____² of the Bank as to the authority of certain officers of the Bank to execute agreements on behalf of the Bank and as to the incumbency of the officer(s) of the Bank who have executed the Letter of Credit on behalf of the Bank. We have assumed the genuineness of signatures and the authenticity of certificates and documents, other than those of the Bank, submitted to us as originals and the conformity to original documents of documents submitted to us as copies.

Based upon and subject to the foregoing, we are of the opinion that the Letter of Credit has been duly executed and delivered by the Bank and constitutes the legal, valid and binding obligation of the Bank, enforceable in accordance with its terms, except that enforcement of the rights and remedies with respect to the Letter of Credit is subject to applicable bankruptcy, insolvency, reorganization, liquidation, moratorium or similar laws affecting the enforcement of creditors' rights generally as they may be applied in the bankruptcy, insolvency, reorganization or liquidation of the Bank, and that the availability of the remedies of specific performance, of injunctive relief or other equitable remedies is subject to the discretion of the court before which any such proceeding may be brought.

Very truly yours,

¹ Insert the applicable title of the person who keeps the financial records for the bank.

² Insert the applicable title of the person who keeps the organizational records for the bank.

EXHIBIT I

RATING REQUIREMENTS FOR LETTER OF CREDIT ISSUERS

For purposes of the Loan and Security Agreement, to be considered acceptably rated, a financial institution must have at the time of issuance, replacement, and renewal and throughout the term of the Letter of Credit at least one of the following ratings: (1) an S&P long-term senior debt rating of "A" or better or (2) a Moody's long-term senior debt rating of "A2" or better. If the long-term senior debt of the financial institution (or its parent) is not rated by any of S&P or Moody's, the financial institution must have a S&P or Moody's long-term bank deposit rating of "A" or better. S&P means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., and its successors and assigns or, if it dissolves or no longer assigns credit ratings to long term debt, then any other nationally recognized statistical rating agency, designated by Fannie Mae, which assigns credit ratings to long term debt. Moody's means Moody's Investors Service, Inc., a New York corporation, and its successors and assigns or, if it dissolves or no longer assigns credit ratings to long term debt, then any other nationally recognized statistical rating agency, designated by Fannie Mae, which assigns credit ratings to long term debt.

EXHIBIT J
MAP OR LIST OF ST. JOHNS COUNTY, FL, DESIGNATED REDEVELOPMENT
AREAS

See Attached.

EXHIBIT K

FORM OF CERTIFICATE OF COMPLIANCE WITH DEBT REQUIREMENTS

See Attached.

\$2,000,000 Loan by
Fannie Mae
to
County of St. Johns, Florida

CERTIFICATE OF COMPLIANCE WITH DEBT REQUIREMENTS

I, _____, the duly appointed, qualified and incumbent Clerk of the Board of County Commissioners of St. Johns, Florida (the "County"), do hereby certify that the maximum principal amount of indebtedness to be incurred by the County (\$2,000,000) evidenced by that certain promissory note payable to the order of Fannie Mae and dated _____, 2007 (the "Fannie Mae Indebtedness"), together with all other indebtedness of the County, is within every debt and other limitation imposed by the constitution of the State of Florida and the laws of the State of Florida, and complies with the provisions of the applicable resolution of the County.

WITNESS my official signature and the Seal of the County as of the ____ day of _____, 2007.

_____,
Clerk of the Board of County
Commissioners of St. Johns County,
Florida

[County Seal]

EXHIBIT L

BORROWER'S LOAN PROGRAM CRITERIA

See Attached.

ST. JOHNS COUNTY/FANNIE MAE LOAN PROGRAM
to Provide Construction Financing to Contractors
for Affordable Single-Family Housing

Description

The Fannie Mae program is designed to provide construction financing to Contractors for the purchase of lots, construction of models, and pre-sold single-family homes, in approved subdivisions and vacant scattered lots in neighborhoods throughout St Johns County. Nine Contractors were approved by Board of County Commissioners to participate in the County's in-fill housing program (listed in Exhibit "D"). These Contractors are currently constructing homes on in-fill lots and in small in-fill subdivisions at various locations throughout the County.

Most of the current construction activity is in West Augustine and is from the County's inventory of lots in West Augustine. St. Johns County has sold forty-five (45) lots at a discount to eight contractors who have started construction and completed the sale of eighteen (18) homes as of April 2007. The other twenty-seven (27) lots are in various stages of permitting or construction. Another one hundred fifty (150) lots in the County's inventory will become available for sale to Contractors (based on performance) when the infrastructure work is complete. The infrastructure work is scheduled for completion in the Fall of 2007. The County's Housing and Community Services Division (H&CS) has proposed to the Board of County Commissioners that the County retain title to lots not yet sold and contract with selected Contractors to construct houses for sale under the program.

Contractors are currently constructing single-family detached homes. The houses built are from approved floor plans that range in size from 1,000 to 1,300 sq. ft. and priced between \$130,000 and \$150,000. The house designs, amenities and construction quality have been very well received in the neighborhoods. The houses are good values for the price. These houses have an upgraded HVAC system. Each house is pre-wired for fans in the bedrooms and family room, and is pre-wired for a dishwasher.

The purchase price of homes to buyers and the income of buyers are governed by guidelines of the County's State Housing Initiative Program (SHIP) guidelines which provide down payment assistance to homebuyers. Under the guidelines, the units must be sold to families earning not greater than 120% of the Area Median Income and the maximum purchase price for a house is \$150,000. This is lower than the 2005 median selling price for a house in St. Johns County which is \$247,500. This difference in price underscores the need for the County to provide the assistance and incentives to homebuilders willing to build and sell houses within the SHIP price range.

The County assists Contractors to obtain eligible homebuyers through marketing and community outreach, credit counseling, homebuyers education and assistance in finding affordable mortgage financing. The County has contracted with the Mortgage and Credit Center to provide these services to County residents. Homebuyers are eligible to receive up to \$40,000 in purchase assistance based on income.

Currently, houses built under the County in-fill program are constructed with financing from commercial banks or self financed by the Contractors. The proposed Fannie Mae credit facility to provide financing from the County to Contractors will help to keep the financing costs to the Contractors at or below market and assist in keeping the selling price of the homes affordable.

Outline of the Proposed Credit Facility to Participating Contractors

Under the Fannie Mae program, the credit facility to each Contractor will be structured as a reimbursement construction loan from the County. Fannie Mae, a government sponsored entity, will provide a revolving line of credit to the County to fund the proposed loans to Contractors. Funds advanced by the County for construction of the homes will be secured by a note and mortgage on each property financed. Under the loan to each Contractor H&CS will review the sales contract on each house to be constructed and request the Finance Department to establish "loan accounts" for the purchase of each lot/construction of each house as outlined in Exhibit "B" as the contractor approval package.

Funds deposited in the loan account from the Fannie Mae facility will be used for that portion of the costs of construction necessary to complete the house and receive a Certificate of Occupancy as outlined in Exhibit "A" as the anticipated budget. Each loan account for construction of a model home, pre-sold home or the purchase of lots shall be used to pay the "costs to complete" the house. Eligible costs to complete include: (i) the purchase of the land, or the refinance of the existing lot amount under the loan, if applicable; (ii) closing costs; (iii) any permits, architect, engineer and similar third party fees; (iv) the cost of construction and (v) interest expense. Interest charged to Contractors will be at the pass through rate of the Fannie Mae loan to the County. Interest will not be funded beyond the agreed upon interest reserve amount, estimated at six months for completion of construction. Once the interest reserve amount is depleted, the Contractor will be responsible to fund and pay interest due on the 1st of each month. The loan proceeds shall not fund sales/broker commissions, Contractor operating costs, or Contractor fees/profits.

The County's Real Estate Division will provide an estimate of value (based on recent sales and estimated cost to construct the houses) for each loan amount. Loans on each home will be limited to the lesser of: 90% of total costs or 85% of the estimate of value provided by the County Real Estate Division. The LTV of lots should not exceed 90%, based on an estimate of value and recent comparable sales. Under current cost structure the average construction loan to a Contractor under this program is anticipated to be at \$120,900, see anticipated budget attached as Exhibit "A".

Debt Terms to Participating Contractors

St Johns County will provide a reimbursement construction loan to each participating Contractor with individual loans available subject to the following terms and conditions:

- The total of all loans to one Contractor for lots, models, and pre-sold houses is subject to a limit of \$500,000. This amount may be increased for a Contractor based on performance and justification with recommendation of H&CS.

- The criteria for a pre-sold house is a firm, binding fixed price contract with a disinterested third party with either: i) a firm commitment from another mortgage lender; or ii) a pre-qualification by the Residential Mortgage loan officer of an acceptable mortgage loan institution.
- Maturity of Individual Loans: Models – 12 months
Pre sales – 6 months
Presale/Lots – 12 months
- The County may at its sole discretion grant an extension of such completion and sale date of up to ninety (90) days upon written request of the Contractor as provided in the loan documents.
- Funds disbursed under the construction loan agreement to each Contractor will be secured by a note and mortgage upon the property. The mortgage will be in a first and superior position. No subordination financing will be allowed. The mortgage upon the property financed will be released upon payoff.
- The estimate of value provided by the County Real Estate Division shall be acceptable to the H&CS. Loans on each home will be limited to the lesser of: 90% of total costs or 85% of the estimate of value provided by the County Real Estate Division. The LTV of lots should not exceed 90%, based on an estimate of value and recent comparable sales.
- Any change orders increasing costs must be approved by the County and prior to any further disbursement of loan proceeds the Contractor shall provide evidence to the County that the amount needed to cover the additional costs has been expended by the Contractor from its own funds.
- If a construction loan matures and is not paid off, the County reserves the right to cease any further loan approvals for that Contractor under the terms of any construction loan agreement.
- Before closing and funding of each property, H&CS approval is required for each subdivision, lot, house plan, cost breakdown, construction contract, and the pre-approved homebuyer.
- Each Contractor is required to be in good standing with previous and current lending institutions.
- H&CS will review each participating Contractor's financial status and verify liquidity before entering into a construction loan agreement with the Contractor. An annual review will be performed thereafter.
- No adverse material changes in the financial capacity of the Contractor while funds are committed under a loan will be permitted.
- All draw requests are reviewed and approved by the H&CS with draw inspections made by the H&CS Staff in addition to inspections by the County's Building Department.
- County will draw down from Fannie Mae the full amount of the loan for house construction at the start of construction. Funds to the Contractor will be disbursed on an agreed draw schedule (see Exhibit "C").
- The interest rate to the Contractor will be a variable rate calculated from the three (3) month Libor rate plus 150 Basis Points. The Contractor will pay a construction administration fee of \$350 (three hundred fifty dollars) per house to cover property inspection fees and other administrative costs relating to the construction loan application. The interest rate may adjust after six months if house not sold based on

pricing structure above and the additional interest cost may be paid by Contractor from proceeds of sale to the buyer at the discretion of the County.

- The loan will be non-recourse to the Contractor/borrower.
- The primary source of collateral is a first lien security interest on the lot and improvements to be made thereon.
- Upon completion, the Contractor will provide a Homebuyers Warranty.

Principal and Interest Repayment

- The primary source of repayment is sale of the homes.
- The secondary source of repayment is litigation and liquidation through foreclosure.
- All principal and unpaid interest shall be due and payable the earlier of completion of the house and closing of the home to the buyer or the maturity date of the loan or any authorized extension of the maturity date. The County may at its sole discretion grant an extension of such completion and sale date of up to ninety (90) days upon written request of the Contractor as provided in the loan documents.
- During the term of the loan, payments of interest only will be due on the first day of each month commencing the first day of the first or second month following the date of the note and mortgage. Interest will not be funded beyond the agreed upon interest reserve amount, estimated at six months for completion of construction. Once the interest reserve amount is depleted, the Contractor will be responsible to fund and pay accrued interest.

Requirements for Funding the Contractor

- All provisions of the contract document have been completed. Contractor is in good standing with the County.
- For each single-family dwelling to be constructed with a loan, the Contractor shall submit final plans and specifications to H&CS. The H&CS staff shall have the absolute discretion to approve or disapprove the subdivision, subdivided lot, cost breakdown, and construction contract prior to closing on each loan.
- No advances to the Contractor will be made, except for purchase of land and closing costs, until the Notice of Commencement has been recorded in the Public Records.
- For each loan, the Contractor will provide the County a copy of the sales contract (acquisition of lot and/or sale of home to homebuyer) and all documents relating to the closing of the loan.
- The Contractor shall bear the cost of any change orders increasing construction costs.
- Requests for Advances shall be submitted in a form approved by H&CS, signed by the Contractor and County-approved inspector together with all supporting documentation required by the County including Contractor's affidavits.
- The Contractor shall obtain a building permit within twenty-one (21) days of the execution of the construction loan agreement. The Contractor shall commence construction within seven (7) calendar days of obtaining the building permit. All improvements to the property shall be complete on or before one hundred and eighty (180) days from commencement of construction. Such completion of construction must be evidenced by a certificate of

occupancy, final inspection, and such other final report evidencing the improvements can be occupied and have met all the code requirements of St. Johns County.

Time Line

Loans to Contractors are expected to begin July 2007, assuming the revolving line of credit from Fannie Mae to the County closes by June 25, 2007. Participating Contractors are expected to construct approximately twenty (20) homes per annum using this credit facility. Most building activity is expected to be in West Augustine where the County has an inventory of one hundred fifty (150) lots for sale to Contractors.

Program Benefits

This Fannie Mae program complements and enhances other programs the County has already implemented to assist in the revitalization of West Augustine and other Community Redevelopment Areas while providing workforce housing for the County's residents. The County incentives include:

- Sale of lots owned by the County below the current market price to participating Contractors.
- Reduced impact fees for houses less than 1800 sq. ft. thereby reducing house construction costs by savings of impact fees.

The Fannie Mae program will be an incentive to participating Contractors to keep house prices affordable in:

- Providing them with flexible financing terms with below market interest rates and lower finance fees and costs.
- Assisting in maintaining their borrowing capacity with commercial banks enabling them to pursue other market rate development. This facility may not count against their borrowing limit under other credit facilities they have with commercial lenders.
- Helping the liquidity position of those Contractors who currently self finance the construction of homes in West Augustine and other Community Redevelopment Areas.

Exhibit "A"

Budget for Average House built under the Program

Construction Budget			
Uses of Funding:	Total	Per Unit	Per Sqft
Hard Cost of Construction (incl. Contingency)	\$110,000.00		
Interest Reserve	\$ 2,200		
Closing Costs (County's admin fees, legal fees etc.)	\$ 1,200		
Permits /Impact fees	\$ 7,500		
Land/Infrastructure	\$ 6,000		
Developers Fees/Overhead	\$22,000		
TOTAL:	\$148,900		
Sources of Funding:	Total	Per Unit	Per Sqft
Construction Draws	\$120,900		
Contractors Equity	\$ 28,000		
TOTAL:	\$148,900		

Permanent Budget-Homebuyer Financing		
Uses of Funding:	Total	Per Unit
Sales Price	\$148,900	
Closing Costs	\$ 1,400	
TOTAL:	\$150,300	
Sources of Funding:	Total	Per Unit
Permanent Loan to Homebuyer (1st mortgage)	\$112,225	
Homebuyers Equity	\$ 500	
SHIP HOME Down payment Assistance (2nd Mortgage)	\$ 37,575	
TOTAL:	\$150,300	

Exhibit “B”

Checklists

Contractor Approval Package

Activity	Responsibility
Contractor Approval	H&CS Staff & County Commissioners
<ol style="list-style-type: none">1. Financial Statements, upon the County’s request2. Capacity (construction projects completed, in process)3. Credit report4. Bank references	
Loan Approval package	John Schwab or Nanette Bradbury
<ol style="list-style-type: none">1. Executed Construction Loan Agreement2. House plans3. Estimate of Value confirmed by the County Real Estate Division4. Survey5. Evidence of Insurance6. Evidence of property ownership7. Homebuyers mortgage loan commitment8. Construction Budget/Draw Schedule	
First thru Fourth Draw Requests	J. Schwab or N. Bradbury; Fin. Dept; Bldg. Dept.
<ol style="list-style-type: none">1. Inspection Report2. Draw Schedule Request Form/Statement of No Liens3. Notice of Commencement	
Final Draw at homebuyer closing	J. Schwab or N. Bradbury; Fin. Dept; Bldg. Dept.
<ol style="list-style-type: none">1. Draw Schedule Request Form2. Final Inspection Report3. Contractors Affidavit4. Certificate of Occupancy	

Exhibit “C”

Anticipated Draw Schedule

(Based on a construction loan of \$120,900.00)

First Draw: \$20,000

Permitting, clearing & grading, footers, stem wall, rough plumbing, slab (monolithic slab) slab/form work, rough plumbing

Second Draw: \$33,000

Rough frame or block structure to include rough electric, plumbing, heat & air, windows, exterior doors

Third Draw: \$20,000

Roofing, insulation, sheet rock, 2nd electric, plumbing, heat & air

Fourth Draw: \$25,000

Kitchen cabinets, bath cabinets, paint, doors, trim, finish plumbing, electric, heat & air

Fifth and Final Draw \$22,900

Carpet, tile, clean up, septic tank or central sewer, driveway, certificate of occupancy, release of all liens and certified statement by Contactor as to the satisfaction of any and all debts related to the permitting, construction and completion of said residential structure and additional infrastructure improvements, final inspection by County Building Department and County Housing Division

Exhibit “D”

Selected Builders for County In-Fill Program

Covenant Homes

Gemini Development

Central Florida CDC

Brunson Custom Homes

E&C Construction

Housing League

Pennyworth Homes

Dream Homes of the First Coast

World Island Builders (St. Johns Housing Partnership)

WACHOVIA

Application and Agreement for Irrevocable Standby Letter of Credit

TO: Wachovia Bank, National Association ("Bank")

Please TYPE information in the fields below. We reserve the right to return illegible applications for clarification.

Date: May 16, 2007

The undersigned Applicant hereby requests Bank to issue an Irrevocable Standby Letter of Credit (the "Credit") substantially as set forth below. In issuing the Credit, Bank is expressly authorized to make such changes from the terms hereinbelow set forth as it, in its sole discretion, may deem advisable.

Applicant (Full Name & Address) St. Johns County, Florida 4020 Lewis Speedway St. Augustine, FL 32084	Advising Bank (Designate name & address only if desired)
Beneficiary (Full Name & Address) Fannie Mae 3900 Wisconsin Avenue, N.W. Washington, DC 20016 ATTN: American Communities Fund	Currency and Amount in Figures: (US \$ if not otherwise specified) \$200,000.00 Currency and Amount in Words: Two Hundred Thousand US Dollars Expiration Date: June 25, 2011
<input type="checkbox"/> Expiry date to be automatically extendable "evergreen" every _____ days (ie: 365), with a _____ days notification for non-extension (ie: 90 days), with a final expiry date of _____.	
Charges: Wachovia's charges are for our account; all other banking charges are to be paid by beneficiary.	

Credit to be available for payment against Beneficiary's draft(s) at sight drawn on Bank or its correspondent at Bank's option accompanied by the following documents:

- A statement, issued on the letterhead of the Beneficiary, purportedly signed by an authorized individual, stating that (please state below wording to appear on the statement):
- Issue substantially in form of attached specimen. (Specimen should also be signed by applicant. Applicant will be bound by such specimen even if unsigned.) **SEE ATTACHED**

Complete only when the Beneficiary (Foreign Bank, or other Financial Institution) is to issue its undertaking based on this Credit.

- Request Beneficiary to issue and deliver their (specify type of undertaking) _____ in favor of _____ for an amount not exceeding the amount specified above, effective immediately relative to (specify contract number or other pertinent reference) _____ to expire on _____. (This date must be at least 15 days prior to expiry date indicated above.) It is understood that if the Credit is issued in favor of any bank or other financial or commercial entity which has issued or is to issue an undertaking on behalf of the Applicant of the Credit in connection with the Credit, the Applicant hereby agrees to remain liable under this Application and Agreement in respect of the Credit (even after its stated expiry date) until Bank is released by such bank or entity.

Each Applicant signing below affirms that it has fully read and agrees to this Application and the attached Continuing Letter of Credit Agreement. In consideration of the Bank's issuance of the Credit, the Applicant agrees to be bound by the Agreement set forth in this and in the following pages (even if the following pages are not attached to the Application) delivered to the Bank. (Note: If a bank, trust company, or other financial institution signs as Applicant or joint and several co-Applicant for its customer, or if two Applicants jointly and severally apply, both parties sign below). Documents may be forwarded to the Bank by the Beneficiary, or the negotiating bank, in one mail. Bank may forward documents to Applicant if specified above, in one mail. Applicant understands and agrees that this Credit will be subject to the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce, Publication 500 or any subsequent version currently in effect and in use by Bank ("UCP") or to the International Standby Practices of the International Chamber of Commerce, Publication 590 or any subsequent version currently in effect and in use by Bank ("ISP98"), at Bank's discretion.

Print or type name of Applicant: St. Johns County, Florida	Print or type name of Co-Applicant:	
Address: 4020 Lewis Speedway, St. Augustine, FL 32084	Address:	
Authorized Signature (Title):	Authorized Signature (Title):	
Authorized Signature (Title):	Authorized Signature (Title):	
Customer Contact: Allen MacDonald, Finance Director	Phone No.: (904) 819-3669	

BANK USE ONLY				
NOTE : Application will NOT be processed if this section is not complete				
Approved (Authorized Signature):				Date:
Approved (Print name and title):		City:	Fax #:	Mailcode:
Charge DDA #:	Borrower Default Grade:	Telephone:	CAT Tools Deal #:	
Special Pricing:	Commission P.A.:	RC #:	CLAS Bank #:	CLAS Obligor #:
We have interpreted this Standby Letter of Credit as a <input type="checkbox"/> Financial obligation or a <input type="checkbox"/> Performance obligation.				
<input type="checkbox"/> This transaction is SYNDICATED. I confirm that I have communicated this transaction/information to Agency Services accordingly.				
Other (please explain):				
For any questions regarding this transaction verbiage, please contact: <input type="checkbox"/> Approver <input type="checkbox"/> Applicant Directly <input type="checkbox"/> Other				
Specify: _____				
Please transmit the original credit by:				
<input type="checkbox"/> Overnight courier <input type="checkbox"/> Teletransmission <input type="checkbox"/> Other (specify):				
To: <input type="checkbox"/> Beneficiary <input type="checkbox"/> Applicant <input type="checkbox"/> Other (specify):				
In absence Credit will be sent by courier to the Beneficiary.				

(Attached are the Irrevocable Standby Letter of Credit Agreement Terms and Conditions.)

CONTINUING LETTER OF CREDIT AGREEMENT

In consideration of the Bank (as defined below) in its discretion issuing from time to time letters of credit whether documentary or standby and all amendments thereto (hereinafter each individually, and all collectively called the "Credit") substantially in accordance with an Application (as defined below) for a Credit tendered to the Bank the undersigned (hereinafter, individually and collectively, the "Applicant") agrees:

1. Definitions. As used herein: (A) "**Agreement**" means each Application by the Applicant for a Credit and this Continuing Letter of Credit Agreement, as each may be modified; (B) "**Application**" means, if Applicant uses electronic communication facilities to apply for or instruct the Bank as to the contents of a Credit, information sufficient to enable the Bank to prepare and issue or amend a Credit for Applicant's account transmitted by electronic message (which may, but need not, be computer generated), including facsimile, directed to the Bank by Applicant using such identification codes, passwords, and other security procedures as the Bank and Applicant may agree are commercially reasonable from time to time; or a written and signed application with sufficient information delivered to the Bank to enable it to prepare and issue or amend a Credit for Applicant's account; (C) "**Bank**" means Wachovia Bank, National Association [Wachovia Bank of Delaware, National Association] and all of its branches, whether in the United States or foreign and any of Bank's affiliates that issue letters of credit; Applicant authorizes and directs the Bank to select the branch or affiliate which will issue or process any Credit; and for the purposes of Sections 4, 7 and 9, "Bank" includes correspondents of Bank; (D) "**Business Day**" means any day that is not a Saturday, Sunday or other day on which commercial banks are authorized or required to close at the place where Bank is obligated to honor a presentation or otherwise act under the Credit or this Agreement; (E) "**Collateral**" means (i) all Applicant's Property (as hereinafter defined) now or hereafter in possession or control of Bank or its agents, affiliates or representatives (for any purpose) or in transit to or from Bank, (ii) all Property shipped or warehoused under or in connection with any Credit or any Draft; (iii) all documents, Drafts, bills of exchange, certificates of origin, inspection certificates, consular documents, invoices, bills of lading, warehouse receipts and other documents of title, whether negotiable or non-negotiable, respecting such Property or otherwise related to any Credit or any Draft; (iv) all policies and certificates of insurance respecting such Property, or otherwise related to the Credit or any Draft; (v) all other Property which is related to the Credit or any Draft; (vi) other Property described on an Exhibit hereto or in any other security agreement from Applicant to the Bank, if any; and (vii) all proceeds and products of the foregoing, now or later existing; (F) "**Draft**" means any draft (sight or time), receipt, acceptance, cable, SWIFT or other written demand for payment; (G) "**Event of Default**" means (i) failure to pay or perform any of the Obligations when due; (ii) termination of Applicant's existence; (iii) institution of any proceeding under any law relating to bankruptcy, insolvency or reorganization by or against Applicant, or the appointment of a receiver or similar official for Applicant or any of Applicant's property; (iv) seizure or forfeiture of Applicant or any of its property; (v) a change in control of Applicant; (vi) attachment or restraint of or other legal process against property in which Applicant has an interest in the control of Bank or any third party on behalf of Bank; (vii) any statement to Bank made by Applicant or on its behalf is incorrect or misleading; (viii) Applicant's failure to provide Bank on request any books and records; (ix) Applicant's failure to withhold, collect or pay any tax when assessed or due; (x) occurrence of any of the above with respect to any guarantor of any Obligations and if there is more than one party as Applicant, the occurrence of any of the foregoing regarding any one, some, or all of such parties; or (xi) any other act or circumstance leading Bank in good faith to deem itself insecure; (H) "**Good Faith**" means honesty in fact in the conduct or transaction concerned; (I) "**ISP 98**" means the International Standby Practices, International Chamber of Commerce ("ICC") Publication No. 590, or any subsequent revisions or restatement thereof which may be adopted by the ICC and in use by the Bank; (J) "**Jurisdiction**" means the state in the United States where the Bank's branch which maintains Applicant's major deposits is located, or if Applicant does not have deposits with the Bank, the Bank's office in a state of the United States where Applicant's major banking relationship with it is conducted; if neither of the foregoing apply, then jurisdiction shall mean New York City, New York; (K) "**Obligations**" means all obligations of any, some or all of parties comprising the Applicant to Bank now or hereafter existing under the Agreement or otherwise; (L) "**Prime Rate**" means that changing rate of interest announced publicly from time to time by Bank as its Prime Rate; (M) "**Property**" means all present and future inventory, equipment, farm products and other goods, documents, policies and certificates of insurance, securities, securities entitlements, securities accounts, financial assets, investment property, instruments, letters-of-credit and letter-of-credit rights, chattel paper, accounts, general intangibles, money, and any and all other types of property (including, but not limited to, deposit accounts and certificates of deposit), together with all cash and non cash proceeds and products thereof, and all Applicant's rights thereto and all documents relative thereto; and (N) "**UCP**" means the Uniform Customs and Practice for Documentary Credits, ICC Publication Number 500, or any subsequent revision or restatement thereof adopted by the ICC and in use by the Bank. Terms not defined herein will, if defined therein, have the same meaning as given in the Uniform Commercial Code as amended from time to time.

2. Applicant's Reimbursement of Bank: (A) Applicant shall pay Bank on demand in immediately available funds (in United States currency) (i) the amount of each Draft drawn or purporting to be drawn under the Credit (whether drawn before, on or after the expiry date stated in the Credit); provided that if the Credit provides for acceptance of a time draft or incurrence of a deferred payment obligation, reimbursement shall be due sufficiently in advance of its maturity to enable the Bank to arrange for its cover in same day funds to reach the place where it is payable no later than the date of its maturity; (ii) any amount by which Bank's cost of payment under the Credit exceeds the amount paid by Applicant; (iii) interest on all amounts not paid when due at a fluctuating rate per annum equal to the Prime Rate plus 2%, but in no event at an interest rate exceeding the highest rate permitted by applicable law. (B) **Foreign Currency.** If the Draft is payable in other than U.S. currency, Applicant will pay Bank the amount in U.S. currency from Bank at Bank's current selling rate of exchange for delivery to the place of payment in the currency and amount in which such Draft was drawn. If there is no current selling rate of exchange generally offered by Bank for effecting such payment, Applicant will pay Bank on demand an amount which Bank deems necessary to pay or provide for the payment of the Obligations, and Applicant shall remain liable for any deficiency which may result if such amount in U.S. currency proves to be insufficient to effect full payment or

reimbursement to Bank at the time when such rate of exchange shall again be current. (C) **Fees Costs and Expenses.** Applicant will pay Bank (i) fees in respect of the Credit at such rates and times as Applicant and Bank may agree in writing or, in the absence of such an agreement, in accordance with Bank's standard fees then in effect (including, if applicable, application fees, issuance fees, maintenance fees, amendment fees, drawing fees, discrepancy fees, acceptance or deferred payment obligation fees, transfer fees and assignment of letter of credit proceeds fees); and (ii) on demand, all costs and expenses that Bank incurs in connection with the Credit or this Agreement, including (a) reasonable attorneys' fees and disbursements and other dispute resolution expenses to protect or enforce Bank's rights or remedies under or in connection with the Credit, this Agreement or any separate security agreement, guaranty or other agreement or undertaking supporting this Agreement or to respond to any notice of forgery, fraud, abuse or illegality in connection with this Agreement, the Credit, any presentation under the Credit or any transaction underlying the Credit (including an active defense by Bank in any action in which an injunction is sought or obtained against presentation or honor), (b) costs and expenses in connection with any requested amendment to or waiver under the Credit or this Agreement, (c) costs and expenses in complying with any governmental exchange, currency control or other laws, rules or regulations of any country now or hereafter applicable to the purchase or sale of, or dealings in, foreign currency, (d) any stamp taxes, recording taxes, or similar taxes or fees payable in connection with the Credit or this Agreement, and (e) any adviser, confirmer, or other nominated person fees and expenses that are chargeable to Applicant or Bank. References in this Agreement to attorneys' fees and disbursements shall include any reasonably allocated costs of internal counsel. (D) **Increased Costs and Taxes.** Applicant shall pay Bank on demand increased costs or Bank's reduction in yield from any new or changed reserve, capital, special deposit, tax, insurance or other requirement or guideline affecting the Bank's or its parent's contingent or absolute rights or obligations under or in connection with this Agreement or any Credit provided the Bank acts reasonably to avoid or minimize the increased costs or reduction in the yield and computes the same on a reasonable basis. Applicant agrees that all payments hereunder shall be made without withholding, deduction or set-off and shall be made free and clear of taxes other than federal and state income and franchise taxes imposed on the Bank. (E) **Automatic Debit for Payment.** ~~Applicant authorizes Bank to debit any of Applicant's accounts at Bank for any payments due under this Agreement. Applicant further certifies that it holds legitimate ownership of each of these accounts and preauthorizes this debit as part of its ownership rights.~~ See Supplemental Attachment

3. Independence; Applicant Responsibility. Applicant is responsible for preparing or approving the text of the Credit as issued by Bank and as received by any Beneficiary, including responsibility for any terms and conditions thereof that are ineffective, ambiguous, inconsistent, unduly complicated, or reasonably impossible to satisfy. Applicant's ultimate responsibility for the final text shall not be affected by any assistance Bank may provide such as drafting or recommending text or by Bank's use or refusal to use text submitted by Applicant. Bank does not represent or warrant that the Credit will satisfy Applicant's requirements or intentions. Applicant is responsible for the suitability of the Credit for Applicant's purposes. Applicant will examine the copy of the Credit, and any other documents sent by Bank in connection with the Credit, and shall notify Bank of any non-compliance with Applicant's instructions, and of any discrepancy in any document under any presentment or other irregularity, within 3 Business Days after Applicant receives or should have received any of such documents (the "Required Time"); provided, however, if the end of the Required Time falls on a weekend or Bank holiday, the deadline shall be extended to the end of the next Business Day. Applicant's failure to give timely and specific notice during the Required Time of objection shall automatically waive Applicant's objection, authorize or ratify Bank's action or inaction, and preclude Applicant from raising the objection as a defense or claim against Bank

4. Claims Against Bank; Waivers; Exculpations; Limitations of Liability, Ratification; Accounting. (A) Applicant's Obligations shall be irrevocable and unconditional and performed strictly in accordance with the terms of this Agreement, irrespective of: (i) any change or waiver in the time, manner or place of payment of or any other term of the Obligations (including any release) of any other party who, if applicable, has guaranteed or is jointly and severally liable for any of the Obligations or granted any security therefore; (ii) any exchange, change or release of any Collateral or other collateral (including any failure of Bank to perfect any security interest therein), for any of the Obligations, (iii) any presentation under the Credit being forged, fraudulent or any statement therein being untrue or inaccurate, (iv) any agreement by Bank and any Beneficiary extending or shortening Bank's time after presentation to examine documents or to honor or give notice of discrepancies. (B) Without limiting the foregoing, it is expressly agreed that the Obligations of Applicant to reimburse or to pay Bank pursuant to this Agreement will not be excused by ordinary negligence, gross negligence, wrongful conduct or willful misconduct of Bank. However, the foregoing shall not excuse Bank from liability to Applicant in any independent action or proceeding brought by Applicant against Bank following such reimbursement or payment by Applicant to the extent of any unavoidable direct damages suffered by Applicant that are caused directly by Bank's gross negligence or willful misconduct; provided that (i) Bank shall be deemed to have acted with due diligence and reasonable care if it acts in accordance with standard letter of credit practice of commercial banks located in the place that the Credit is issued; and (ii) Applicant's aggregate remedies against Bank for wrongfully honoring a presentation or wrongfully retaining honored documents shall in no event exceed the aggregate amount paid by Applicant to Bank with respect to the honored presentation, plus interest. (C) Without limiting any other provision of the Agreement, Bank and, as applicable, its correspondents: (i) may rely upon any oral, telephonic, telegraphic, facsimile, electronic, written or other communication believed in good faith to have been authorized by Applicant, whether or not given or signed by an authorized person; (ii) shall not be responsible for any acts or omissions by, or the solvency of, any Beneficiary, any nominated person or any other person; (iii) May honor any presentation or drawing under the Credit that appears on its face substantially to comply with the terms and conditions of the Credit; (iv) (a) may permit partial shipment under the Credit, except as otherwise expressly stated in the Credit, and may honor the relative Drafts without inquiry regardless of any apparent disproportion between the quantity shipped and the amount of the relative Draft and the total amount of the Credit and the total quantity to be shipped under the Credit, and (b) if the Credit specifies shipments in installments within stated periods and the shipper fails to ship in any designated period, shipments of subsequent installments may nevertheless be made in their respective designated periods, and the relative Drafts may be honored; (v) may disregard any requirement of the Credit that presentation be made to it at a particular place or by a particular time of day (but not any requirement for presentation by a particular day) or that notice of dishonor be given in a particular manner, and Bank may amend or specify any such requirement in the Credits; (vi) may accept as a draft any written or electronic demand or request for payment under the Credit, even if nonnegotiable or not in the form of a draft, and may disregard any requirement that such draft, demand or request bear any or adequate reference to the Credit; (vii) may discount or authorize the discount of any accepted draft or deferred payment obligation incurred under any Credit; (viii) may honor, before or after its expiration, a previously dishonored presentation under the Credit, whether pursuant to court order, to settle or compromise any claim that is

wrongfully dishonored or otherwise, and shall be entitled to reimbursement to the same extent (if any) as if it had initially honored plus reimbursement of any interest paid by it; (ix) may honor, upon receipt, any drawing that is payable upon presentation of a statement advising negotiation or payment (even if such statement indicates that a draft or other document is being separately delivered) and shall not be liable for any failure of any Draft or document to arrive or to conform with the Draft or document referred to in the statement or any underlying transaction; (x) may retain proceeds of the Credit based on a valid exercise of Bank's set off rights or an apparently applicable attachment order or blocking regulation; (xi) may select any branch or affiliate of Bank or any other bank to act as advising, transferring, confirming and/or nominated bank under the law and practice of the place where it is located; (xii) shall not be responsible for any other action or inaction taken or suffered by Bank or its correspondents under or in connection with the Credit, with any presentation thereunder or with any Collateral, if required or permitted under any applicable domestic or foreign law or letter of credit practice. Examples of laws or practice that may be applicable, depending upon the terms of the Credit and where and when it is issued, include the UCC, the Uniform Rules for Demand Guarantees ("URG") the UCP, the ISP, published rules of practice, applicable standard practice of banks that regularly issue letters of credit, and published statements or interpretations on matters of standard bank practice. (D) Applicant's taking control, possession or retention of any documents presented under or in connection with the Credit (whether or not the documents are genuine) or of any Property for which payment is supported by the Credit, shall ratify Bank's honor of the documents and preclude Applicant from raising a defense, set-off or claim with respect to Bank's honor of the documents. (E) Neither Bank nor any of its correspondents shall be liable in contract, tort, or otherwise, for any punitive, exemplary, consequential, indirect or special damages. Any claim by Applicant under or in connection with this Agreement or the Credit shall be reduced by an amount equal to the sum of (i) the amount (if any) saved by Applicant as a result of the breach or other wrongful conduct complained of; and (ii) the amount (if any) of the loss that would have been avoided had Applicant taken all reasonable steps to mitigate any loss, including by enforcing its rights in the transaction(s) underlying the Credit, and in case of a claim of wrongful dishonor, by specifically and timely authorizing Bank to effect a cure.

See Supplemental Attachment

5. Security Agreement. The provisions of this Section shall only supplement, not supersede, provisions of any other security agreement in favor of Bank which are inconsistent herewith. (A) **Security Interest.** ~~As security for the payment and performance of the Obligations, Applicant assigns, pledges and grants to Bank a security interest in the Collateral. The security interest of Bank in the Collateral shall continue until all Obligations are repaid, and shall not be invalidated by reason of the delivery or possession of the Property to Applicant or anyone else.~~ (B) **Subrogation.** As additional security for the Obligations, Bank shall be subrogated to the Applicant's rights in respect of any transaction in any way related to the Credit or any Drafts, including rights against Beneficiary or any collateral. (C) **Additional Collateral.** If at any time Bank, in its discretion, requires additional collateral for any Obligations, Applicant will, on demand, provide additional collateral of a type and value satisfactory to Bank, and/or make such cash payment as Bank may require. If Applicant has executed or, at any time, executes another security agreement with Bank, the collateral described therein, unless specifically excluded, shall constitute additional collateral for the Obligations. (D) **Actions Regarding Collateral.** Applicant will execute and deliver to Bank any documents, and take any action, which Bank deems necessary or desirable to evidence or perfect any security interest in favor of Bank, to acquire possession of any Property, or to protect Bank's interests with respect to any Collateral, including, without limitation, transferring or registering Property in the name of Bank; in order to accomplish any of the foregoing, Bank may, at its option, at any time and without notice to Applicant, transfer to, or register in the name of, Bank or its nominees any Collateral; and further, Bank is irrevocably appointed as attorney-in-fact for Applicant and authorized, without notice to Applicant, to execute and deliver all such documents and to take all such actions on behalf of Applicant, including, without limitation, the execution, delivery and/or filing of collateral control agreements, financing statements and trust receipt statements. This appointment is coupled with an interest. (E) **Care of Property; Modification.** Bank will exercise care in the preservation of Collateral if such Property is in the custody of Bank; provided, however, its standard of care for Property in its custody is the lesser of that required by applicable law or that requested by Applicant in writing. Applicant shall remain obligated under the terms of the Agreement notwithstanding the release or substitution of any Collateral at any time(s), or any delay, extension of time, renewal, compromise or other indulgence granted by Bank related to any Obligations, or to any promissory note, Draft, bill of exchange or other instrument related to any Obligations. Applicant waives notice of any such delay, extension, release, substitution, renewal, compromise or other indulgence, and consents to be bound thereby as fully as if Applicant had expressly agreed thereto in advance. The proceeds of any Collateral may be applied, in whole or in part, by Bank to pay any matured, or to anticipate the payment of any unmatured, Obligations.

6. Communications. (A) **Internet.** Applicant may electronically initiate the issuance and amendment of any Credit and retrieve or send information about any outstanding Credit by accessing an internet site maintained by the Bank (the "Web Site") through Applicant's computer equipment and web browser software. Applicant is responsible to provide its own computer equipment and web browser software and shall be responsible for all acquisition, installation, repair and maintenance costs associated therewith. Applicant shall select its own internet service provider. Applicant shall comply promptly with all instructions on the Web Site governing its use and the security measures to be maintained in connection with its use. Applicant authorizes the Bank to receive data and act upon Applicant's requests which Bank receives over the Web Site. Applicant agrees that Bank may rely on the authenticity and accuracy of messages and information received by Bank on the Web Site purporting to be from the Applicant. Applicant agrees: (i) to protect all assigned operator identification passwords and accepts full responsibility for any compromise of security; (ii) to limit access to the Web Site to those persons authorized by Applicant through the use of security procedures implemented and enforced by the Applicant; (iii) accurately to input any data fields necessary to initiate, release or cancel any transaction; (iv) to access the Web Site as often as necessary consistent with Applicant's business activities it conducts on the Web Site, which may be daily, and retrieve and review outstanding Credit detail reports; and (v) to notify the Bank promptly of any error or defect in the report. Applicant acknowledges and understands that the instructions sent by it through the internet to the Bank and the information retrieved by the Applicant from the Web Site through the internet will be encrypted, but that such encryption is not completely secure and is not free from errors, poor transmissions, interception, forgery, viruses, tampering, destruction, deciphering or other delay or casualty. The Bank shall not be liable for any loss, claim or liability, cost or expense arising from: (a) any of the foregoing; (b) failure of any internet service provider to provide its services; (c) failure of communications media, legal restrictions; (d) act of God, fire or other catastrophe,

computer failure or any other cause or circumstance beyond the Bank's control; (e) any unauthorized person's use of or access to the Web Site; or (f) failure of Applicant to report errors or defects promptly. (B) **Electronic Systems.** Applicant may desire to transmit and receive by means of facsimile, open internet communication, or other unguarded electronic communications (hereinafter collectively the "electronic systems") Applications and other paper-writings to or from the Bank. To induce the Bank to accept communication via electronic systems, Applicant shall: i) ensure that its officers, agents and employees, will at all times follow and maintain the integrity of any security established by the Applicant and the Bank; ii) immediately notify the Bank in the event that Applicant should have reason to believe that the security established for electronic systems transmission has been breached or compromised in any manner; iii) ensure that only authorized personnel selected and controlled by the Applicant request action(s) by transmittal of document(s) by electronic systems; iv) ensure that any documents transmitted to the Bank by means of electronic systems shall be a complete and accurate copy and if signed be executed by personnel authorized by the Applicant; and v) maintain its software and equipment and any privacy control device within such software or equipment without any reliance on or responsibility by the Bank. The Applicant acknowledges and agrees that the Bank shall: i) not be responsible to the Applicant for any loss or damage arising from the use of unguarded electronic systems, including access or misuse of Applicant's confidential information, transmission of a virus, or failed, incomplete or inaccurate transmission; ii) not be responsible to assure that, its software and equipment for receiving messages or documents from electronic systems will be compatible with that of Applicant or available at all times for Applicant's use; iii) have absolute discretion but without liability, for any reason whatsoever, not to act upon documentation received by electronic systems; provided, however, that the Bank shall notify the undersigned promptly should it elect to defer action until the original documentation is physically presented to the Bank; iv) without any liability on its part to do so, have the right at its discretion to make further inquiries and demand further verification to determine the validity of any document prior to taking any action; and v) have the right to assume that any reproduction of documentation received by electronic systems constitutes a full, complete and accurate reproduction of the original documentation and that all signatures are authorized and genuine. (C) **Indemnity.** ~~Separate and independent from any other indemnity set forth in this Agreement, the Applicant hereby indemnifies and holds the Bank harmless against any and all loss, liability, damage or expenses of whatever kind and nature arising from Bank's acceptance and/or delivery of information and Applications over its Web Site or by electronic systems.~~ See Supplemental Attachment

7. Two Parties Signing Agreement. (A) **Co-Applicants.** If the Agreement is signed by two or more Applicants, it shall be the joint and several obligation of each. Bank shall designate _____ in the Credit as account party and _____ as Applicant, who without joinder of the account party shall have the exclusive right to issue all instructions on any matters relating to the Credit. If the foregoing information is left blank or incomplete, the Bank at its discretion may accept an Application, or seek instruction, from any Applicant regarding a Credit, including, without limitation, any amendment thereto or waiver of any discrepancy thereunder, and until Bank at the office at which the relevant Credit is issued actually receives written notice of revocation, each Applicant shall be bound by and hereby affirms the instructions of the other. (B) **Financial Institution as Customer.** If the Agreement is signed as Applicant or co-Applicant by a bank, trust company or other financial institution for its customer, such Applicant appoints Bank as its agent to issue the Credit. Such Applicant and its customer agree to act in accordance with and be subject to the Agreement. If such Applicant is required (i) to reimburse Bank; (ii) to pay Bank in the Event of Default; (iii) to indemnify Bank; or (iv) to provide collateral, then its customer agrees to reimburse, pay or indemnify Applicant for the full amount of those payments and to provide the requisite collateral. In addition, the customer agrees to obtain such Applicant's consent before agreeing to waive any discrepancy in the documents related to the Credit or to waive or amend any terms of the Agreement or the Credit.

8. Event of Default. On and after any Event of Default: (A) the amount of the Credit, as well as any other Obligations, shall, at Bank's option, become due and payable immediately without demand or notice to Applicant or if contingent, may be treated by Bank as due and payable for its maximum face amount; (B) Bank may set off and apply any deposits or any other indebtedness at any time owing by Bank to or for Applicant's credit or account against any matured or unmatured Obligations, irrespective of whether or not Bank shall have made any demand under the Agreement and although such deposits, indebtedness or Obligations may be unmatured or contingent; (C) Bank may exercise all rights and remedies available to it in law or equity; and (D) in respect of any Collateral, Bank may exercise all the rights and remedies of a secured party under the Uniform Commercial Code or any other applicable law and also may, without notice except as required by law, sell such Property or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and on such other terms as Bank may deem commercially reasonable. Written notice mailed or delivered to Applicant at the address specified in the Agreement at least five business days prior to the date of public sale or prior to the date after which private sale is to be made shall be reasonable, adequate notice. Applicant will pay on demand all costs and expenses (including reasonable attorneys fees and legal expenses, incurred prior to or after a bankruptcy filing) related to the custody, preservation or sale of, or collection from, or realization upon, any of such Property and related to the collections of the Obligations and the enforcement of Bank's rights against Property. In the event of sale of or collection from the Collateral, Bank may in its discretion hold the proceeds as Collateral or apply the proceeds as Bank deems appropriate to the payment of costs and expenses or to one or more of the Obligations, whether or not then due.

9. Indemnification. Applicant will indemnify and hold harmless Bank and its officers, directors, affiliates, employees, attorneys and agents (each, an "Indemnified Party") from and against any and all claims, liabilities, losses, damages, costs and expenses (including reasonable attorneys' fees and disbursements and other dispute resolution expenses (including fees and expenses in preparation for a defense of any investigation, litigation or proceeding) and costs of collection) that arise out of or in connection with: (A) the Credit or any pre-advice of its issuance; (B) any payment or action taken or omitted to be taken in connection with the Credit or this Agreement (including any action or proceeding to (i) restrain any presentation, (ii) compel or restrain any payment or the taking of any other action under the Credit, (iii) obtain damages for wrongful dishonor or honor of the Credit or for breach of any other duty arising out of or related to the Credit, (iv) compel or restrain the taking of any action under this Agreement or (v) obtain similar relief (including by way of interpleader, declaratory judgment, attachment or otherwise), regardless of who the prevailing party is in any such action or proceeding); (C) an adviser or a confirmer or other nominated person seeking to be reimbursed, indemnified or compensated, (D) any beneficiary requested to issue its own undertaking seeking to be reimbursed, indemnified or compensated or (E) any third party

seeking to enforce the rights of an applicant, beneficiary, nominated person, transferee, assignee of letter of credit proceeds, or holder of an instrument or document; (F) the enforcement of this Agreement or any rights or remedies under or in connection with this Agreement, the Collateral or the Credit; (G) the release by Applicant of any Credit to any third party prior to its issuance by the Bank; or (H) any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (including with respect to any document or property received under this Agreement or the Credit) or any other cause beyond the Bank's control, except to the extent such liability, loss, damage, cost or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted directly from such Indemnified party's gross negligence or willful misconduct. Applicant will pay on demand from time to time all amounts owing under this section. If and to the extent that the obligations of Applicant under this section are unenforceable for any reason, Applicant agrees to make the maximum contribution to the payment of such obligation that is permissible under applicable law.

10. Governing Law; UCP, ISP 98. The UCP or ISP 98 as applicable to each Credit governs this Agreement and is incorporated herein. Subject to the other provisions of the Agreement, the Agreement shall be governed by and construed in accordance with the substantive laws of the Jurisdiction, without regard to conflicts of law principles, except to the extent that such law is inconsistent with the UCP or ISP 98, as applicable. In the event any provision of the UCP or ISP 98, as applicable, is or is construed to vary from or be in conflict with any provision of any applicable law of the Jurisdiction or the federal law of the United States, to the extent permitted by law, the UCP or the ISP 98, as applicable, shall govern or be read to explain the applicable law. Unless Applicant specifies otherwise in its application for the Credit, Applicant agrees that Bank may issue the Credit subject to the UCP or ISP 98 or, at Bank's option, such later revision of either thereof as is in effect at the time of issuance of the Credit. Bank's privileges, rights and remedies under the UCP, ISP 98 or such later revision shall be in addition to, and not in limitation of, its privileges, rights, and remedies expressly provided for herein. The UCP and ISP 98 shall serve, in the absence of proof to the contrary, as evidence of standard practice with respect to the subject matter thereof.

11. Savings Clause. Whenever possible, each provision of the Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of the Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of the Agreement.

12. Bankruptcy and Forfeiture Reinstatement. If any consideration transferred to Bank in payment of, or as collateral for, or in satisfaction of the Obligations, shall be voided in whole or in part as a result of (A) a subsequent bankruptcy or insolvency proceeding; (B) any forfeiture or in rem seizure action or remedy; (C) any fraudulent transfer or preference action or remedy; or (D) any other criminal or equitable proceeding or remedy, then Bank may at its option recover the Obligations or the consideration so voided from Applicant. In such event, Bank's claim to recover the voided consideration shall be a new and independent claim arising under the Agreement, and shall be jointly and severally due and payable immediately by Applicant.

13. Miscellaneous. The rights and remedies granted to Bank in the Agreement are in addition to all other rights or remedies afforded to Bank under applicable law, equity or other agreements. The terms of the Agreement may not be waived or amended, unless the parties consent in writing. The Agreement shall be binding on Applicant's heirs, executors, administrators, successors and permitted assigns, and shall inure to the benefit of Bank's successors and assigns. Bank can assign this Agreement and its rights to reimbursement regarding any Credit without Applicant's consent. Applicant shall not assign any rights or remedies related to the Agreement or the Credit without written consent of the Bank. Any notice to Applicant, if mailed, shall be deemed given when mailed, postage paid, addressed to Applicant at the address on the Application or such other address furnished by Applicant to Bank. This Section shall not be deemed to be an exclusive list of each means of notice from one party to the other. The Agreement will continue in full force and effect until the expiration or cancellation of each Credit and all outstanding Obligations have been satisfied in a manner satisfactory to Bank, and Applicant requests termination in writing. Applicant will comply with all laws, regulations and customs now or hereafter applicable to the Agreement or to the transaction related to the Credit, and will furnish evidence of compliance as Bank may require. Applicant shall maintain or cause to be maintained insurance covering any Property for which payment is supported by a Credit in amounts, from insurers, or through parties satisfactory to the Bank and will furnish such evidence of insurance as and when Bank may require. This Agreement contains the final, complete and exclusive understanding of, and supersedes all prior or contemporaneous, oral or written, agreements, understandings, representations and negotiations between, the parties relating to the subject matter of this Agreement.

14. Consent to Jurisdiction and Venue. IN ANY PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER ARISING OUT OF OR RELATED TO THE AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER, APPLICANT IRREVOCABLY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN ANY COUNTY IN THE JURISDICTION AND AGREES NOT TO RAISE ANY OBJECTION TO THE JURISDICTION OR TO THE LAYING OR MAINTAINING OF THE VENUE OF ANY SUCH PROCEEDING IN THE JURISDICTION. APPLICANT AGREES THAT SERVICE OF PROCESS IN ANY SUCH PROCEEDING MAY BE DULY EFFECTED UPON IT BY MAILING A COPY THEREOF, BY REGISTERED MAIL, POSTAGE PREPAID, TO IT.

15. WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICABLE LAW, APPLICANT AND WHEN IT ISSUES A CREDIT, BANK KNOWINGLY AND VOLUNTARILY WAIVE ALL RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED ON, ARISING OUT OF, OR RELATING TO THE AGREEMENT OR THE CREDIT, OR ANY COURSE OF

CONDUCT, COURSE OF DEALING, STATEMENTS (ORAL OR WRITTEN) OR ACTIONS OF ANY PARTY WITH RESPECT THERETO . THIS WAIVER IS A MATERIAL INDUCEMENT FOR BANK TO ISSUE THE CREDIT.

16. **Effectiveness of Agreement.** Applicant agrees that the terms and conditions of this Continuing Letter of Credit Agreement shall be continuing and shall apply to any Credit currently, or in the future, issued by the Bank on Applicant's behalf.

We, the undersigned parties, hereby agree and authorize this application to be processed as a joint application for credit. We intend to apply for joint credit and acknowledge your reliance on all of our incomes to repay this obligation. If any Co-Applicants are not present or have not signed below, I, the first party signing below, certify that I have permission from all non-signing Co-Applicants to apply for credit on behalf of the non-signing Co-Applicants, including, but not limited to, providing information about the non-signing Co-Applicants.

Very truly yours,

(Corporation or Firm Name of Applicant) St. Johns County, Florida	
By: (Authorized Signature and Title)	Date:
<input type="checkbox"/> I do not intend to apply for credit.	
By: (Authorized Signature and Title)	Date:
<input type="checkbox"/> I do not intend to apply for credit.	

(Corporation or Firm Name of Applicant)	
By: (Authorized Signature and Title)	Date:
<input type="checkbox"/> I do not intend to apply for credit.	
By: (Authorized Signature and Title)	Date:
<input type="checkbox"/> I do not intend to apply for credit.	

Supplemental Attachment to Continuing Letter of Credit Agreement

Section 2(E) is replaced with the following:

Applicant authorizes Bank to debit Applicant's deposit account specified in Applicant's security agreement with Bank relating to the Credit for any payments due under this Agreement, Applicant further certifies that it holds legitimate ownership of such account and preauthorizes this debit as part of its ownership rights.

Section 5(A) is replaced with the following:

As security for the payment and performance of the Obligations, Applicant assigns, pledges and grants to Bank a security interest in the Collateral specified in the Applicant's security agreement with Bank relating to the Credit. The security interest of Bank in such Collateral shall continue until all Obligations are repaid, and shall not be invalidated by reason of the delivery or possession of the Property to Applicant or anyone else.

Section 6(C) is replaced with the following:

Separate and independent from any other indemnity set forth in this Agreement, the Applicant hereby, to the extent permitted by law, indemnifies and holds the Bank harmless against any and all loss, liability, damage or expenses of whatever kind and nature arising from Bank's acceptance and/or delivery of information and Applications over its Web Site or by electronic systems.

EXHIBIT M

FORM OF CERTIFICATION OF ACCEPTABLE PROJECT

See Attached.

CERTIFICATION OF ACCEPTABLE PROJECT

The undersigned, ST. JOHNS COUNTY, a political subdivision of the State of Florida (the "Borrower") hereby refers to that certain revolving credit facility (the "Credit Facility") made to Borrower by FANNIE MAE, a corporation organized and existing under the laws of the United States of America ("Fannie Mae") in an amount not to exceed Two Million Dollars (\$2,000,000), as more particularly described in that certain Loan and Security Agreement dated _____, 2007 (the "Loan Agreement"). The Credit Facility is evidenced by that certain Promissory Note dated _____, 2007 made by Borrower in the principal amount of Two Million Dollars (\$2,000,000), payable to the order of Fannie Mae in accordance with the terms and conditions therein set forth. Such Promissory Note, together with all extensions, renewals and modifications thereof and/or substitutions thereof, being hereinafter collectively referred to as the "Note". The Note, together with the Loan Agreement and other loan documentation of any manner relating to the Credit Facility, are hereinafter described as the "Loan Documents". Capitalized terms used and not otherwise defined herein have the meanings given to such terms in the Loan Agreement.

This Certification is given in consideration of Fannie Mae making an Advance to Borrower that will be used to extend a loan to a developer of an Acceptable Project or to satisfy the Reporting Requirements of Section 5.11 of the Loan Agreement. The Borrower hereby certifies, warrants and represents to Fannie Mae, as of the date hereof, as follows:

1. Borrower will use the Advance requested and/or any Advances previously requested to extend a loan to a developer to finance the acquisition, development, construction or renovation of an Acceptable Project;
2. The Acceptable Project for which the Borrower is requesting or has requested an Advance from Fannie Mae meets all standards under and follows the procedures as defined within Loan Program Criteria.
3. The Acceptable Project for which the Borrower is requesting or has requested an Advance meets all of the following criteria:
 - (A) All requirements of the construction loan application process between from St. Johns County (the "County") and the builder have been completed.
 - (B) For each single-family dwelling to be constructed, the builder shall submit final plans and specifications to the County Housing and Community Services Division (H&CS) for approval prior to the funding. H&CS has absolute and sole discretion to approve or disapprove the subdivision, subdivided lot, cost breakdown, and construction contract prior to closing on each property.

- (C) No advances from the County will be made to the builder, except for purchase of land and closing costs, until the security for the loan has been satisfactorily encumbered, and Notice of Commencement has been recorded in the Public Records.
- (D) Loans on each home will be limited to the lesser of: ninety percent (90%) of total costs or eighty-five percent (85%) of as completed appraised value for pre-sold homes and models and ninety percent (90%) loan to value for Lots.
- (E) Loan proceeds will be allowed for the purchase of improved lots but not for the purchase of land to be re-redeveloped.
- (F) All contracts between the County and the builder must be fixed price contracts. For each property to be funded under the line to a builder, there shall be at all times un-disbursed funds (in the account created for that house construction) sufficient to complete each respective single-family dwelling. Any change orders increasing costs will trigger a request for an immediate deposit by the builder to cover the additional costs or will stop funding under the loan until the additional amount has been expended by the builder..
- (G) Requests for Construction Draws shall be submitted in a Form approved by the County, signed by the builder and the County's approved Inspector together with all supporting documentation required by the County including builders' affidavits.
- (H) Construction shall be inspected by an independent third-party inspector, such as a county building inspector, or engineer retained by the County, at builder's expense, with periodic written reports submitted to County from such inspector.
- (I) Construction of the single- family dwelling shall commence on or before thirty (30) days from the date of the first draw under each reserved loan amount and the failure to timely commence construction shall entitle the County to withhold further draws. All improvements to the property shall be complete on or before one hundred eighty (180) days from the first draw.
- (J) H&CS may grant a three (3) month extension of the completion date at its sole discretion. Such completion must be evidenced by a certificate of occupancy, final inspection, or such other final report evidencing the improvements can be occupied and have met all the code requirements of the County.

- (K) Except for the funding of model units, (no more than one such unit per builder) construction of new homes will not be funded without an Approved Homebuyer to purchase the single family dwelling.
- (L) An Approved Homebuyer will be one that:
 - a. Has a commitment from a third party mortgage lender for the proposed mortgage on the home.
 - b. Has completed the County's homebuyer training class.
 - c. Has executed a purchase contract on the subject property with the builder or St Johns County.
 - d. If a contract on a home is withdrawn for any reason, no house will be built on the lot until there is a new contract with another Approved Homebuyer.

4. The project for which the Borrower is requesting or has requested an Advance is an Acceptable Project.

5. This Certification shall run to Fannie Mae, its successors, participants, transferees and assigns, as the owner and holder of the Loan Documents, and is delivered with the intention that Fannie Mae rely hereon.

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EXECUTED as of the _____ day of _____, 200__.

BORROWER:

ST. JOHNS COUNTY, FLORIDA

By: _____ SEAL
Name: _____
Title: _____

SECURITY AGREEMENT

June __, 2007

St. Johns County, Florida
St. Augustine, Florida
("Debtor")

Wachovia Bank, National Association
Jacksonville, Florida
("Bank")

For value received and to secure the payment and performance of the Debtor's obligations to repay amounts advanced under the letter of credit issued by the Bank for the account of Debtor pursuant to an Application and Agreement for Irrevocable Letter of Credit, dated as of May 16, 2007, executed by the Debtor, and any extensions, renewals, modifications or novations thereof (the "Agreement"), and any other amounts due under the Agreement, this Security Agreement and the other Loan Documents, and any other obligations of Debtor to Bank however created, arising or evidenced, whether direct or indirect, absolute or contingent, now existing or hereafter arising or acquired, including swap agreements (as defined in 11 U.S.C. § 101), future advances, and all costs and expenses incurred by Bank to obtain, preserve, perfect and enforce the security interest granted herein and to maintain, preserve and collect the property subject to the security interest (collectively, "Obligations"), Debtor hereby pledges to Bank and grants to Bank a continuing lien upon the following described property, now owned or hereafter acquired, any additions, accessions, or substitutions thereof and thereto (including but not limited to investment property and security entitlements), and all cash and non-cash proceeds and products thereof (collectively, "Collateral"):

Debtor's deposit account with Bank number _____.

Debtor hereby represents and agrees that:

OWNERSHIP. Debtor owns the Collateral. The Collateral is free and clear of all liens, security interests, and claims except those previously reported in writing to Bank, and Debtor will keep the Collateral free and clear from all liens, security interests and claims, other than those granted to Bank.

NAME AND OFFICES. There has been no change in the name of Debtor, or the name under which Debtor conducts business, within the 5 years preceding the date of execution of this Security Agreement and Debtor has not moved its executive offices or residence within the 5 years preceding the date of execution of this Security Agreement except as previously reported in writing to Bank. The taxpayer identification number of Debtor as provided herein is correct.

TITLE/TAXES. Debtor has or will have good and marketable title to Collateral and will warrant and defend same against all claims. Debtor will not transfer, sell, or dispose of Collateral (except in the ordinary course of business). Debtor agrees to pay promptly all taxes and assessments upon or for the use of Collateral and on this Security Agreement. At its option,

Bank may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on Collateral. Debtor agrees to reimburse Bank, on demand, for any such payment made by Bank. Any amounts so paid shall be added to the Obligations.

WAIVERS. Debtor waives presentment, demand, protest, notice of dishonor, notice of default, demand for payment, notice of intention to accelerate, and notice of acceleration of maturity. Debtor further agrees not to assert against Bank as a defense (legal or equitable), as a set-off, as a counterclaim, or otherwise, any claims Debtor may have against any seller or lessor that provided personal property or services relating to any part of the Collateral. Debtor waives all exemptions and homestead rights with regard to the Collateral. **Debtor waives any and all rights to notice or to hearing prior to Bank's taking immediate possession or control of any Collateral**, and to any bond or security which might be required by applicable law prior to the exercise of any of Bank's remedies against any Collateral.

EXTENSIONS, RELEASES. Debtor agrees that Bank may extend, renew or modify any of the Obligations and grant any releases, compromises or indulgences with respect to any security for the Obligations, or with respect to any party liable for the Obligations, all without notice to or consent of Debtor and without affecting the liability of Debtor or the enforceability of this Security Agreement.

NOTIFICATIONS OF CHANGE. Debtor will notify Bank in writing at least 30 days prior to any change in: (i) Debtor's chief place of business and/or residence; (ii) Debtor's name or identity; or (iii) Debtor's corporate/organizational structure. Debtor will keep Collateral at the location(s) previously provided to Bank until such time as Bank provides written advance consent to a change of location. Debtor will bear the cost of preparing and filing any documents necessary to protect Bank's liens.

LAWFUL USE. Debtor represents it is in compliance in all respects with all federal, state and local laws, rules and regulations applicable to its properties, Collateral, operations, business, and finances, including, without limitation, any federal or state laws relating to liquor (including 18 U.S.C. § 3617, et seq.) or narcotics (including 21 U.S.C. § 801, et seq.) and all applicable federal, state and local laws, and regulations intended to protect the environment.

CONTRACTS, CHATTEL PAPER, ACCOUNTS, GENERAL INTANGIBLES. Debtor warrants that Collateral consisting of contract rights, chattel paper, accounts, or general intangibles is (i) genuine and enforceable in accordance with its terms except as limited by law; (ii) not subject to any defense, set-off, claim or counterclaim of a material nature against Debtor except as to which Debtor has notified Bank in writing; and (iii) not subject to any other circumstances that would impair the validity, enforceability, value, or amount of such Collateral except as to which Debtor has notified Bank in writing. Debtor shall not amend, modify or supplement any lease, contract or agreement contained in Collateral or waive any provision therein, without prior written consent of Bank. Debtor warrants that the pledge of the Collateral to secure the Obligations, and the realization upon and application of the Collateral to pay the Obligations is permitted by State law and conforms to the requirements for expenditure of public funds.

ACCOUNT INFORMATION. From time to time, at the Bank's request, Debtor shall provide Bank with schedules describing all accounts and contracts, including customers' addresses, credited or acquired by Debtor and at the Bank's request shall execute and deliver written assignments of contracts and other documents evidencing such accounts and contracts to Bank. Together with each schedule, Debtor shall, if requested by Bank, furnish Bank with copies of Debtor's sales journals, invoices, customer purchase orders or the equivalent, and original shipping or delivery receipts for all goods sold, and Debtor warrants the genuineness thereof.

ACCOUNT AND CONTRACT DEBTORS. After a Default occurs, Bank shall have the right to notify the account and contract debtors obligated on any or all of the Collateral to make payment thereof directly to Bank and Bank may take control of all proceeds of any such Collateral, which rights Bank may exercise at any time. The cost of such collection and enforcement, including attorneys' fees and expenses, shall be borne solely by Debtor whether the same is incurred by Bank or Debtor. After a Default occurs, upon demand of Bank, Debtor will, upon receipt of all checks, drafts, cash and other remittances in payment on Collateral, deposit the same in a special bank account maintained with Bank, over which Bank also has the power of withdrawal.

If a Default occurs, no discount, credit, or allowance shall be granted by Debtor to any account or contract debtor and no return of merchandise shall be accepted by Debtor without Bank's consent. Bank may, after Default, settle or adjust disputes and claims directly with account contract debtors for amounts and upon terms that Bank considers advisable, and in such cases, Bank will credit the Obligations with the net amounts received by Bank, after deducting all of the expenses incurred by Bank. Debtor agrees, to the extent permitted by law, to indemnify and defend Bank and hold it harmless with respect to any claim or proceeding arising out of any matter related to collection of Collateral.

GOVERNMENT CONTRACTS. Debtor shall execute all documents and take all actions requested by Bank to ensure recognition by such governmental unit or organization of the rights of Bank in the Collateral.

INSTRUMENTS, CHATTEL PAPER. Any Collateral that is instruments, chattel paper and negotiable documents will be properly assigned to, deposited with and held by Bank, unless Bank shall hereafter otherwise direct or consent in writing. Bank may, without notice, before or after maturity of the Obligations, exercise any or all rights of collection, conversion, or exchange and other similar rights, privileges and options pertaining to Collateral, but shall have no duty to do so.

COLLATERAL DUTIES. Bank shall have no custodial or ministerial duties to perform with respect to Collateral pledged except as set forth herein; and by way of explanation and not by way of limitation, Bank shall incur no liability for any of the following: (i) loss or depreciation of Collateral (unless caused by its willful misconduct), (ii) its failure to present any paper for payment or protest, to protest or give notice of nonpayment, or any other notice with respect to any paper or Collateral, or (iii) its failure to present or surrender for redemption, conversion or exchange any bond, stock, paper or other security whether in connection with any merger, consolidation, recapitalization, or reorganization, arising out of the refunding of the original

security, or for any other reason, or its failure to notify any party hereto that Collateral should be so presented or surrendered.

TRANSFER OF COLLATERAL. The Bank may assign its rights in the Collateral or any part thereof to any assignee who shall thereupon become vested with all the powers and rights herein given to the Bank with respect to the property so transferred and delivered, and the Bank shall thereafter be forever relieved and fully discharged from any liability with respect to such property so transferred, but with respect to any property not so transferred the Bank shall retain all rights and powers hereby given.

SUBSTITUTE COLLATERAL. With prior written consent of Bank, other Collateral may be substituted for the original Collateral herein in which event all rights, duties, obligations, remedies and security interests provided for, created or granted shall apply fully to such substitute Collateral.

INSPECTION, BOOKS AND RECORDS. Debtor will at all times keep accurate and complete records covering each item of Collateral, including the proceeds therefrom. Bank, or any of its agents, shall have the right, at intervals to be determined by Bank and without hindrance or delay, to inspect, audit, and examine the Collateral and to make extracts from the books, records, journals, orders, receipts, correspondence and other data relating to Collateral, Debtor's business or any other transaction between the parties hereto. Debtor will at its expense furnish Bank copies thereof upon request.

ATTORNEYS' FEES AND OTHER COSTS OF COLLECTION. Debtor shall pay all of Bank's reasonable expenses incurred in enforcing this Agreement and in preserving and liquidating Collateral, including but not limited to, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

DEFAULT. If any of the following occurs, a default ("Default") under this Security Agreement shall exist: (i) The failure of timely payment or performance of any of the Obligations or a default under any Loan Document; (ii) Any breach of any representation or agreement contained or referred to in this Security Agreement or other Loan Document; (iii) Any loss, theft, substantial damage, or destruction of Collateral not fully covered by insurance, or as to which insurance proceeds are not remitted to Bank within 30 days of the loss; any sale (except the sale of inventory in the ordinary course of business), lease, or encumbrance of any of Collateral without prior written consent of Bank; or the making of any levy, seizure, or attachment on or of Collateral which is not removed within 10 days; or (iv) the death of, appointment of guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or commencement of any bankruptcy or insolvency proceeding by or against Debtor, its Subsidiaries or Affiliates ("Affiliate" shall have the meaning as defined in 11 U.S.C. § 101; and "Subsidiary" shall mean any corporation of which more than 50% of the issued and outstanding voting stock is owned directly or indirectly by Debtor), if any, or any general partner of or the holder(s) of the majority ownership interests in Debtor or any party to the Loan Documents; (v) any security interest or lien of Bank hereunder or under any other Security Agreement shall not constitute a perfected security interest of first priority in the Collateral thereby encumbered, subject only to Permitted Liens; (vi) there

shall occur any material loss, theft, damage or destruction of any of the Collateral, which loss is not fully insured; (vii) a judgment in excess of \$500,000 shall be rendered against the Debtor and shall remain undischarged, undismissed and unstayed for more than ten days (except-judgments validly covered by insurance with a deductible of not more than \$100,000) or there shall occur any levy upon, or attachment, garnishment or other seizure of, any material portion of the Collateral or other assets of Debtor by reason of the issuance of any tax levy, judicial attachment or garnishment or levy of execution; or (vii) the Bank, in good faith, shall deem itself insecure.

REMEDIES ON DEFAULT. If a Default occurs, all of the Obligations shall be immediately due and payable, without notice and Bank shall have all the rights and remedies provide by law. The Obligations shall not constitute a general obligation or indebtedness of the Debtor and the Bank shall never have the right to require or compel the levy of taxes upon any property of or in the Debtor for the payment of the Obligations.

REMEDIES ARE CUMULATIVE. No failure on the part of Bank to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Bank or any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any right, power or remedy. The remedies herein provided are cumulative and are not exclusive of any remedies provided by law, in equity, or in other Loan Documents.

MISCELLANEOUS. (i) **Amendments and Waivers.** No waiver, amendment or modification of any provision of this Security Agreement shall be valid unless in writing and signed by an officer of Bank. No waiver by Bank of any Default shall operate as a waiver of any other Default or of the same Default on a future occasion. Neither the failure of, nor any delay by, Bank in exercising any right, power or privilege granted pursuant to this Security Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege. (ii) **Assignment.** All rights of Bank hereunder are freely assignable, in whole or in part, and shall inure to the benefit of and be enforceable by Bank, its successors, assigns and affiliates. Debtor shall not assign its rights and interest hereunder without the prior written consent of Bank, and any attempt by Debtor to assign without Bank's prior written consent is null and void. Any assignment shall not release Debtor from the Obligations. This Security Agreement shall be binding upon Debtor, and the heirs, personal representatives, successors, and assigns of Debtor. (iii) **Applicable Law; Conflict Between Documents.** This Security Agreement shall be governed by and construed under the law of the state named in Bank's address shown above without regard to that state's conflict of laws principles. If any terms of this Security Agreement conflict with the terms of any commitment letter or loan proposal, or with the terms of the Agreement (notwithstanding any provisions thereof), the terms of this Security Agreement shall control. (iv) **Jurisdiction.** Debtor irrevocably agrees to non-exclusive personal jurisdiction in the state named in Bank's address shown above. (v) **Severability.** If any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Security Agreement. (vi) **Notices.** Any notices to Debtor shall be sufficiently given, if in writing and mailed or delivered to the address of Debtor shown above or such other address as provided hereunder; and to Bank, if in writing and mailed or delivered to Bank's office address shown above or such other address as Bank may specify in writing from

time to time. In the event that the Debtor changes Debtor's mailing address at any time prior to the date the Obligations are paid in full, Debtor agrees to promptly give written notice of said change of address by registered or certified mail, return receipt requested, all charges prepaid. (vii) **Captions.** The captions contained herein are inserted for convenience only and shall not affect the meaning or interpretation of this Security Agreement or any provision hereof. The use of the plural shall also mean the singular, and vice versa. (viii) **Loan Documents.** The term "Loan Documents" refers to all documents, whether now or hereafter existing, executed in connection with the Obligations and may include, without limitation and whether executed by Debtor, Debtor or others, commitment letters, loan agreements, guaranty agreements, other security agreements, letters of credit, instruments, financing statements, mortgages, deeds of trust, deeds to secure debt, and any amendments or supplements (excluding swap agreements as defined in 11 U.S.C. § 101). (ix) **Binding Contract.** Debtor by execution and Bank by acceptance of this Security Agreement, agree that each party is bound by all terms and provisions of this Security Agreement.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding (but prior to final judgement), any claim or controversy arising out of or relating to the Loan Documents between parties hereto (a "Dispute") shall be resolved by binding arbitration conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and the Federal Arbitration Act. Disputes may include, without limitation, tort claims, counterclaims, a dispute as to whether a matter is subject to arbitration, claims brought as class actions, or claims arising from documents executed in the future. A judgment upon the award may be entered in any court having jurisdiction. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements.

SPECIAL RULES. All arbitration hearings shall be conducted in the city named in the address of Bank first stated above. A hearing shall begin within 90 days of demand for arbitration and all hearings shall conclude within 120 days of demand for arbitration. These time limitations may not be extended unless a party shows cause for extension and then for no more than a total of 60 days. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000.00. Arbitrators shall be licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The parties do not waive applicable Federal or state substantive law except as provided herein.

PRESERVATION AND LIMITATION OF REMEDIES. Notwithstanding the preceding binding arbitration provisions, the parties agree to preserve, without diminution, certain remedies that any party may exercise before or after an arbitration proceeding is brought. The parties shall have the right to proceed in any court of proper jurisdiction or by self-help (to the extent permitted by law) to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale or under applicable law by judicial foreclosure including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession

of judgment. Any claim or controversy with regard to any party's entitlement to such remedies is a Dispute.

The parties agree that they shall not have a remedy of punitive or exemplary damages against other parties in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

WAIVER OF JURY TRIAL. DEBTOR (BY EXECUTION HEREOF) AND BANK (BY ACCEPTANCE OF THIS AGREEMENT) HEREBY KNOWINGLY EACH VOLUNTARILY AND INTENTIONALLY AGREES, THAT:

1. NEITHER DEBTOR NOR BANK, ANY ASSIGNEE, SUCCESSOR, HEIR, OR LEGAL REPRESENTATIVE OF ANY OF THE SAME SHALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY OTHER LITIGATION PROCEDURE ARISING FROM OR BASED UPON THIS AGREEMENT, ANY OTHER LOAN AGREEMENT OR ANY LOAN DOCUMENT EVIDENCING, SECURING OR RELATING TO THE OBLIGATIONS OR TO THE DEALINGS OR RELATIONSHIP BETWEEN OR AMONG THE PARTIES HERETO;
2. NEITHER THE DEBTOR NOR BANK WILL SEEK TO CONSOLIDATE ANY SUCH ACTION, IN WHICH A JURY TRIAL HAS BEEN WAIVED, WITH ANY OTHER ACTION IN WHICH A JURY TRIAL HAS NOT BEEN OR CANNOT BE WAIVED;
3. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN FULLY NEGOTIATED BY THE PARTIES HERETO, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS;
4. NEITHER THE DEBTOR, NOR BANK HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES; AND
5. THIS PROVISION IS A MATERIAL INDUCEMENT FOR BANK TO ENTER INTO THIS TRANSACTION.

IN WITNESS WHEREOF, Debtor, on the day and year first written above, has caused this Security Agreement to be executed under seal.

ST. JOHNS COUNTY, FLORIDA
Taxpayer Identification Number: 59-6000825

SEAL

By: _____
Chairman of its Board of County Commissioners

CONSTRUCTION LOAN AGREEMENT

THIS CONSTRUCTION LOAN AGREEMENT dated as of _____, 20__ (this "Agreement"), by and between St. Johns County, a political subdivision of the State of Florida, (hereinafter referred to as the "County" and the "Lender") and _____, a Florida [corporation][limited liability company] [sole proprietor] (the "Borrower" and the "Contractor").

1. RECITALS.

(a) The Borrower is or will be the owner of that certain real property located in St. Johns County, Florida, as more particularly described in Exhibit A, attached hereto and made a part hereof (the "Real Property"), with a street address of _____.

(b) The Borrower intends to construct a single-family home on a portion of the Real Property (the "Improvements") for sale to a qualified homebuyer approved by the County earning not greater than one hundred-twenty percent (120%) of the area median gross income (the "Qualified Homeowner"). The Borrower has applied to the County for a Fannie Mae program loan in the principal amount of \$_____.00 (the "Loan") to be used by the Borrower to construct, develop and equip the Improvements on the Real Property.

(c) As a condition of the Loan, the Borrower will complete the Improvements and sell the Improvements and the Real Property to the Qualified Homeowner within the timeframe, and at the purchase price, as hereinafter described.

(d) The County will disburse the Loan proceeds to the Borrower upon satisfaction of such conditions, and in such manner, as hereinafter described.

(e) The Borrower and the County have negotiated the terms and conditions of, and wish to enter into, this Agreement in order to set forth the terms and conditions for the disbursement of the Loan.

NOW, THEREFORE, in consideration of the premises, and of the mutual covenants and agreements set forth below the receipt and sufficiency of which is hereby acknowledged, the Borrower and the County agree as follows:

2. THE LOAN; LOAN DOCUMENTS AND CONTRACT DOCUMENTS. The County shall make the Loan to the Borrower in an amount not to exceed \$_____.00, as shown on Exhibit B attached hereto, upon the terms and conditions set forth herein, and at the rates and terms set forth in that certain Secured Promissory Note ("Note") and that certain Mortgage and Security Agreement ("Mortgage") executed by the Borrower in favor of the County relating to the Loan, and the Borrower shall take the Loan and expressly agrees to comply with and to perform all of the terms and conditions of this Agreement, the Note, the Mortgage and any other documents evidencing and securing the Loan (collectively hereinafter referred to as the "Loan Documents").

The Contractor has submitted to the County a loan application and certain construction drawings and specifications, initialed by the Contractor and the County, and all addenda executed prior to, or contemporaneously with, the execution of this Agreement, including the related draw schedule and allowance schedule (together with all modifications thereto submitted and approved subsequent thereto in accordance with County procedures, collectively hereinafter referred to as the "Contract Documents"). The County has the absolute and sole discretion to approve or disapprove all matters relating to the Contract Documents.

The Loan Documents and the Contract Documents form the complete Loan Agreement and are all as fully a part of this Agreement as if attached to this Agreement or repeated herein.

3. RIGHT TO AUDIT. The Borrower shall maintain adequate records to justify all charges, expenses and costs incurred for completion of the Improvements for at least three (3) years after completion. The County shall have access to such books, records, and documents as required in this section for the purpose of inspection or audit during normal business hours, at the Borrower's place of business.

4. CONDITIONS PRECEDENT TO FUNDING. The conditions listed below are a condition precedent to the County's acceptance of the Loan Documents and disbursement of any funds and shall be complied with in form and substance satisfactory to the County prior to any funding of the Loan:

(a) Title Insurance:

(i) The Borrower shall deliver to the County a title commitment issued by a title insurance company qualified to do business in the State of Florida and reasonably acceptable to the County (the "Title Insurer") agreeing to issue to the County upon recordation of the Mortgage a Lender's Title Insurance Policy in the amount of the Loan, subject only to the exceptions listed on said commitment acceptable to the County (the "Permitted Exceptions"). Said commitment shall have attached to it copies of all exceptions referred to in the title commitment and shall be acceptable to the County. The cost of said title commitment and policy and any premium therefore shall be borne by the Borrower.

(ii) In the event the title insurance commitment shall show as an exception any matter other than the Permitted Exceptions, the County shall promptly notify the Borrower of its objections there to and the Borrower shall act to remove such exceptions, which exception shall be deemed to constitute title defects. The Borrower shall be entitled to thirty (30) days from the day of notification within which to cure such defects or make arrangements with the title insurer for the removal of any such objections from the commitment. If the defect shall not have been so cured or removed from the commitment by endorsement thereto by the termination of said thirty (30) day period, the County shall have the option of accepting title as it then exists or terminating this Agreement, by giving written notice thereof to the Borrower, in which event the parties shall be relieved of all further obligations hereunder.

(iii) The title insurance commitment shall be endorsed at closing to remove any and all requirements of pre-conditions to the issuance of a Lender's Title Insurance Policy, and to delete any exceptions for: (a) any rights or claims or parties in possession not shown by the public records; (b) encroachments, overlaps, boundary line disputes; (c) unrecorded easements and claims of liens; (d) taxes for the year of closing and all prior years; and (e) matters arising or attaching subsequent to the effective date of the commitment but before the Mortgage becomes recorded in the public records.

(b) Survey: The Borrower shall deliver to the County a current certified survey prepared by a surveyor acceptable to the County of the Real Property showing the following:

(i) the location of the perimeter of the Real Property by courses and distances, and by reference to Township, Range, Section;

(ii) the location of and the identification by reference to recording data of all easements, rights-of-way, conditions and restrictions on or appurtenant to the Real Property;

(iii) the location of all building setback lines;

(iv) the lines of the streets abutting the Real Property and the width thereof;

(v) all encroachments, and the extent thereof in feet and inches upon the Real Property;

(vi) if the Real Property is described as being on a filed map, a legend relating the plat of survey to such map;

(vii) flood zone certification; and

(viii) any other notations required for the deletion of the survey exception from the Lender's Title Insurance Policy to be issued in accordance with paragraph 4(a) above and any other requirements requested by the County.

(c) Note: The Note, in a form acceptable to the County's attorney, shall be duly authorized, executed and delivered to the County.

(d) Mortgage: The Mortgage, in a form acceptable to the County's attorney, shall be duly authorized, executed, acknowledged, delivered to the County, and when recorded, shall be a valid mortgage lien on the Real Property and on all fixtures and personal property owned by Borrower to be used in connection with the Improvements.

(e) Mortgagor's Affidavit: An affidavit of the Borrower shall be executed and delivered to the County as required by the Title Insurer as noted in paragraph 4(a) above, certifying to all such facts as are required to delete the standard exceptions from the Lender's Title Insurance Policy and

certifying that no liens exist on the Real Property for taxes not yet due and payable and that no other parties are entitled to possession except as otherwise provided herein.

(f) Public Requirements: The Borrower shall deliver to the County and the County's attorney:

(i) upon the County's request, evidence satisfactory to the County that all roads necessary for the full utilization of the intended Improvements for their intended purposes have either been acquired by the appropriate governmental authorities or have been dedicated to public use and accepted by such governmental authorities and that all necessary steps have been taken by the Borrower and such governmental authorities to assure the complete construction and installation thereof;

(ii) upon the County's request, copies of subdivision plats, restrictive covenants, plans of developments, and all other documents required by the local zoning and subdivision ordinances, and such other documents required by and satisfactory to the County; and evidence satisfactory to the County and its counsel that the final plans conform to all federal, state, and local laws, ordinances, rules and regulations, including, but not limited to, laws of the State of Florida regulating air and water pollution and land use;

(iii) upon the County's request, copies of all necessary approvals from appropriate environmental protection agencies;

(iv) such other documents or reports as the County may reasonably request;

and

(v) a Notice of Commencement, in a form acceptable to the County's attorney, for recording in the public records of the County.

(g) Borrower Documents: The Borrower shall deliver to the County the following documents:

(i) Articles of Organization of the Borrower and all amendments thereof, certified, if requested by the County, by the appropriate official of the State of Florida, together with certificates of such official, if requested by the County, to the effect that the Borrower is in good standing therein.

(ii) Certified resolutions of the Borrower authorizing the execution and delivery of this Agreement, the Mortgage, the Note and all other documents necessary or desirable, for the consummation of the transactions contemplated by this Agreement.

(iii) A copy of the Borrower's contractor license.

(h) Flood Insurance: The Borrower shall deliver to the County evidence satisfactory to the County either that the Real Property is not within a hazardous flood area as designated by the

Department of Housing and Urban Development and any other governmental authority, or if the Real Property is within such a hazardous area, that the Real Property is covered by flood insurance supplied by the Federal Insurance Administration to the maximum amount available, all as provided in the Flood Disaster Protection Act of 1973, as amended, together with appropriate endorsements thereto providing for the County's interests in the same manner as the builder's risk insurance, including without limitation that such insurance will not be canceled without 30 days notice to the County. The Borrower agrees that the County shall have the right to take any action necessary to continue said insurance in full force and effect including, but not limited to, paying premiums. Any funds disbursed to continue said policies in full force and effect shall be considered as disbursements hereunder and shall bear interest from the date of disbursement at the same rate as other disbursements and payment of said funds and interest shall be secured by the Mortgage. Satisfactory evidence of flood area designation shall be a certification from the surveyor appearing on the survey drawing.

(i) Expenses: The Borrower shall have paid all those fees and charges due and payable or ordered paid by the County as provided herein under Paragraph 6 of this Agreement entitled Expenses.

(j) Qualified Homeowner. The Borrower shall deliver to the County a signed construction/purchase contract satisfactory to the County with a Qualified Homeowner. Such Qualified Homeowner shall have qualified and obtained a firm commitment for a fixed mortgage financing for the purchase of the Improvements and the Borrower shall deliver to the County proof of the Qualified Homeowner's mortgage loan commitment by a permanent long-term lender. Such Qualified Homeowner must also have (A) completed the County's homebuyer training program, (B) had the St. Johns County Housing Division verify income eligibility and (C) applied and been approved for any needed down payment assistance or deferred loan assistance available through the County's housing programs.

(k) Contractor Equity. The Contractor Equity as shown as Exhibit B shall have been expended by the Borrower, and satisfactory evidence thereof shall be submitted to the County.

(l) Other Documents: The Borrower shall deliver to the County all the Contract Documents and such other documents and information as the County may reasonably require.

(m) Representations and Warranties: The representations and warranties of the Borrower as set forth in this Agreement, the Loan Documents and the Contract Documents are true and correct in all material respects.

5. DISBURSEMENT OF LOAN FUNDS: Upon satisfaction of the conditions in Section 4 and receipt of documentation evidencing the applicable construction costs due with respect to construction of the Improvements on the Real Property by the Borrower, the County shall disburse Loan proceeds to the Borrower, all as provided herein. Payment will not be made hereunder for any other purpose or purposes except with prior written approval of the Board of County Commissioners of St. Johns County.

(a) All draws requests will be in conformity with the draw schedule attached hereto as Exhibit C and submitted on a Draw Schedule Request Form provided by the County and will require conformation of local county building inspections and a physical inspection of the completed work for the invoiced draw by the St. Johns County Housing Division representative.

(b) The St. Johns County Housing Division will, upon approval of a draw request, provide for the construction funding. A copy of all required documentation will be attached to the Draw Schedule Request Form and become a part of the Contract Documents.

(c) The final draw payment will be made upon completion of construction with an accompanying certificate of occupancy issued by the St. Johns County Building Department and a final site inspection by the St. Johns County Housing Division representative.

(d) Upon completion of all Improvements in accordance with the terms of this Agreement and the other Contract Documents, and as a condition precedent to the final disbursement of all remaining Loan proceeds to the Contractor, the Contractor shall deliver to the County and the Qualified Homeowner a sworn affidavit in accordance with Chapter 713, Florida Statutes, as amended, stating that all work and material has been paid in full and there are no "mechanic's liens" filled against any part of the Improvements.

(e) If any construction/purchase contract with a Qualified Homeowner shall be terminated or cancelled for any reason, no further disbursements shall be made until the County shall have received another acceptable construction/purchase contract with another Qualified Homeowner.

6. EXPENSES: The Borrower shall pay fees and charges incurred in the procuring and making of the Loan and other expenses incurred by the County during the term of the Loan, including the Title Insurer's fees and premiums, charges for examination of title to the Real Property, fees and expenses of attorneys, expenses of surveys, expenses of inspections, Florida Documentary Stamp Taxes, recording expenses, any and all insurance premiums, taxes, assessments, water rates, sewer rates and other charges, liens and encumbrances upon the Real Property, and any other amounts necessary for the payment of the costs of Improvements.

7. REPRESENTATIONS AND WARRANTIES OF BORROWER. The Borrower represents and warrants (which representations and warranties shall be deemed continuing) as follows:

(a) Organization Status. The Borrower is a Florida [corporation] [limited liability company] [sole proprietor], duly organized and validly existing in good standing under the laws of the State of Florida with full power and authority to consummate the transactions contemplated herein. The Borrower is duly authorized to borrow from County amount of the Loan and execute all documents pertaining thereto.

(b) Financial Statements. The financial statements of the Borrower heretofore reviewed with the County are true and correct in all material respects, have been prepared in accordance with generally accepted accounting principles, and fairly present the respective financial conditions of the

subjects thereof as of the respective dates thereof, and no material adverse change has occurred in the financial conditions reflected therein since the respective dates thereof and no additional borrowings have been made by the Borrower since the date thereof.

(c) Authority to Enter into Loan Documents. The Borrower has full power and authority to enter into the Loan Documents and the Contract Documents and consummate the transactions contemplated hereby.

(d) Validity of Loan Documents. The Loan Documents have been approved by those persons having proper authority, and to the best of the Borrower's knowledge are in all respects valid, binding and enforceable according to their terms.

(e) Conflicting Transactions of Borrower. The consummation of the transaction hereby contemplated and the performance of the obligations of the Borrower under and by virtue of the Loan Documents and the Contract Documents will not result in any breach of, or constitute a default under, any other agreement to which the Borrower is a party or by which it may be bound or affected.

(f) Pending Litigation. Except as otherwise disclosed in writing to the County, there are no actions, suits or proceedings pending before any court or law equity, or any administrative board, or, to the knowledge of the Borrower, threatened against or affecting it or the Real Property or the Improvements, or, involving the validity or enforceability of the Mortgage, or of any of the Loan Documents or the Contract Documents.

(g) Availability of Utilities. All utility services necessary for the construction of the Improvements and the operation thereof for their intended purpose are or will be available at the boundaries of the Real Property, including water supply, storm and sanitary sewer facilities, and electric and telephone facilities, and the Borrower has obtained or will timely obtain all necessary permits and permissions required from governmental authorities for unrestricted access to and use of such services in connection with the construction and use of the intended Improvements.

(h) Condition of Real Property. The Real Property is not now damaged or injured as a result of any fire, explosion, accident, flood or other casualty, and to the Borrower's knowledge there are no soil conditions which would materially interfere with the construction of the Improvements.

(i) Availability of Roads. All roads necessary for the full utilization of the intended Improvements for their intended purposes have either been completed or the necessary rights of way therefor have either been acquired by the appropriate local authorities or have been dedicated to public use and accepted by such local authorities and all necessary steps have been taken by the Borrower and such local authorities to assure the complete construction and installation thereof.

(j) No Default. There is no default on the part of the Borrower under this Agreement, the Note, the Mortgage or any other Loan Document or Contract Document, and no event has occurred and is continuing which with notice, or the passage of time, or either, would constitute a default under any provision thereof.

(k) Advertising. During the period of the construction of the Improvements, the County and/or Fannie Mae shall have the right to install and maintain on the Real Property one or more signs identifying the County and/or Fannie Mae, or to be identified on such signs installed by others, as an institution financing the Improvements. Sign or signs will be provided by the County and erected at the Borrower's expense.

(l) Hazardous Waste. To the Borrower's knowledge, the Borrower is in compliance with all provisions of the federal Water Pollution Control Act, Comprehensive Environmental Response, Compensation and Liability ("Superfund") Act of 1980 and Solid Waste Disposal Act, Florida Statutes, Chapter 376, and other similar federal, state and local statutory schemes imposing liability on the Borrower relating to the generation, storage, impoundment, disposal, discharge, treatment, release, seepage, emission, transportation or destruction of any sewage, garbage, effluent, asbestos or asbestos-containing materials, polychlorinated biphenyls (PCBs), toxic, hazardous or radioactive materials, petroleum products, pesticides, smoke, dust, or any other form of pollution as such laws are in effect as of the date of this Agreement and with any rules, regulations and order issued by any federal, state or local governmental body, agency or authority thereunder and with any orders or judgments of any courts of competent jurisdiction with respect thereto, and no assessment, notice of (primary or secondary) liability or notice of financial responsibility, or the amount thereof, or to impose civil penalties has been received by the Borrower. The Borrower has paid any environmental excise taxes imposed pursuant to Sections 4611, 4661 or 4681 of the Internal Revenue Code of 1986, as from time to time amended.

(m) Taxes. The Borrower has filed all federal, state and local tax reports and returns required by any law or regulation to be filed by them, and have either duly paid all taxes, duties and charges indicated due on the basis of such returns and reports, or made adequate provisions for the payment thereof, and the assessment of any material amount of additional taxes in excess of those paid and reported is not reasonably expected.

(n) Financial Good Standing. The Borrower is in good standing with its previous and current lending institutions.

8. ADDITIONAL COVENANTS OF BORROWER. The Borrower covenants and agrees with the County as follows:

(a) Liens. The Borrower agrees, at its sole cost and expense, to have any mechanics' lien or equitable lien which may be filed against the Real Property or undisbursed funds of the Loan released, bonded or insured over within sixty (60) days of the date of filing same, time being of the essence. The County shall be under no obligation to make further disbursements while any such lien remains outstanding against the Real Property. If the Borrower fails, after demand, to cause said lien or liens to be released, bonded or insured over as aforesaid the County may take such steps as it deems necessary and any funds expended shall be charged to the Borrower's Loan account and shall bear interest as provided by the Loan Documents.

The Borrower hereby authorizes the County to demand, on Borrower's behalf, the statement of account referred to in Section 713.16(2) of the Florida Statutes, of any potential lienor filing a

Notice to Owner. It is specifically understood and agreed, however, that the County's right to request such statements of account will in no way impose any obligation on the County to use such authority, and the exercise of such authority on one or more occasion shall not create or imply any obligation on such party to exercise such authority on subsequent occasions.

(b) No Transfer of Real Property. Except as specifically set forth in the Mortgage or herein, the Real Property or any part thereof shall not be sold, leased, refinanced, conveyed, mortgaged or encumbered in any way without the prior written consent of the County except as provided elsewhere herein or in the Mortgage, it being understood and agreed that part of the consideration for the Loan is this obligation of the Borrower.

(c) Compliance with Laws. The Borrower will comply promptly with all federal, state and local laws, ordinances and regulations relating to the construction, use, and sale of the Real Property and the Improvements, and will obtain and keep in good standing all necessary licenses, permits and approvals required or desirable for construction, sale and use of the Improvements.

(d) Brokerage Commissions. Borrower will not knowingly engage in any activity or enter into any relationship which will give rise to any loan or brokerage commission with regard to the Loan, and the Borrower will indemnify and hold the County harmless from the claims of any broker(s) arising by reason of the execution hereof or the consummation of the transactions contemplated hereby.

(e) Financial Statements to be Furnished. The Borrower shall furnish to the County:

(i) upon the County's request, a complete and current financial statement of all assets and liabilities, contingent or otherwise, prepared in accordance with generally accepted accounting principles and verified by affidavit of the Borrower and, at the request of the County, certified (in form reasonably satisfactory to the County) by an independent certified public accountant acceptable to the County;

(ii) upon the County's request, a current balance sheet and statements of income, surplus, and cash flow, together with schedules, all compiled and presented in accordance with standard and uniform accounting practices showing the financial condition of the Borrower and the results of operations of the Borrower;

(iii) upon the County's request, a certificate signed by the principal financial officer of the Borrower to the effect that no Event of Default specified herein, nor any event which upon notice or lapse of time or both, would constitute such an Event of Default, has occurred which has not been cured or otherwise waived in writing by the County; and

(iv) promptly, from time to time, such other information regarding the operations, business, affairs and financial condition of the Borrower as the County may reasonably request.

(f) Borrower to Maintain Bookkeeping System. The Borrower shall maintain a bookkeeping system to the construction project in form and content sufficient for the County and any

inspector to conduct reviews, inspections, certifications and reports required by this Agreement. The County shall have full (but confidential) access, as allowed under the public records law, at any reasonable time to the books, records and contracts pertaining to the Real Property and the Borrower.

(g) Insurance. Throughout the term of this Agreement, the Borrower shall provide and maintain, at its own expenses, insurance providing at least the following types of coverage and limits of liability:

(i) Worker's Compensation and Employer's/ Umbrella Liability Insurance. Coverage shall be at least the worker's compensation statutory limits as required by Chapter 440, Florida Statutes, as amended. The policy shall include Employer's/ Umbrella Liability Coverage for at least \$500,000 per accident.

(ii) Commercial General/ Umbrella Liability Insurance. Coverage shall be at least \$500,000 per occurrence for property damage and bodily injury. The service provider shall indicate whether the coverage is provided on a claims-made or, preferably, on an occurrence basis. The insurance shall include coverage for the following: (A) Premise/Operations; (B) Products/Completed Operations; and (C) Personal Injury.

(iii) Business Automobile/Umbrella Liability Insurance. Coverage shall be at least \$500,000 per accident for property damage and personal injury regarding all of the following: (A) Owned/Leased Autos; (B) Non-Owned Autos; and (C) Hired Autos.

(iv) Builders Risk Insurance. This covers building structures and personal property, vandalism, malicious mischief and all risks associated with construction of the construction. Such coverage shall be provided for the full cost of construction.

A copy of each type of insurance required hereunder shall be provided to St. Johns County Housing Division no later than the date of execution of this Agreement.

The Borrower shall also keep the Real Property continually insured in an amount not less than full insurable value of the Real Property, which coverage shall insure the Real Property against loss or damage by fire and by the perils covered by extended coverage and against such other hazards as the County, in its sole discretion, shall from time to time require, for the benefit of the County. All such insurance at all times will be in an insurance company or companies in such amounts and with terms acceptable to the County, with loss, if any, payable to the County, as its interest may appear, pursuant to a non-contributory mortgagee clause which shall be satisfactory to the County; and forthwith upon the issuance of such policies they will deliver to the County copies of receipts for the premiums paid thereon and certificates of insurance and certified copies of such policies. Any policies furnished the County shall become its property in the event the County becomes the owner of the Real Property by foreclosure or otherwise. Should a loss be incurred, equal to or in excess of fifty percent (50%) of the full insurable value of the Real Property, then in such event, the County and the Borrower may jointly elect to use the proceeds for the reconstruction and repair of the Real Property or, in the alternative, to apply the net proceeds to the payment of the indebtedness hereby secured, whether then due or not.

(h) Indebtedness. With respect to the Real Property encumbered by the Borrower of even date herewith, the Borrower will not incur, create, assume or permit to exist any indebtedness constituting the deferred purchase price of any property or assets, or any indebtedness or liability evidenced by notes, bonds, debentures or similar obligations without the written approval of the County.

(i) Further Assurances and Preservation of Security. The Borrower will do all acts and execute all documents for the better and more effective carrying out of the intent and purposes of this Agreement, as the County shall reasonably require from time to time, and will do such other acts necessary or desirable to preserve and protect the collateral at any time securing or intending to secure the Note, as the County may reasonably require.

(j) No Assignment. The Borrower shall not assign this Agreement or any interest therein and any such assignment is void and of no effect.

(k) Construction; Permits and Licenses. The Borrower shall construct the Improvements in accordance with the Contract Documents, and any and all applicable building/construction and/or technical codes (including fire, and electrical). The Borrower shall be responsible for obtaining and paying for all permits and licenses, and all insurance, which now or hereafter may be required by law, or by terms of this Agreement.

(l) Sale of Real Property and Improvements; Purchase Price. The Real Property and Improvements shall be sold to a Qualified Homeowner upon completion of construction and issuance of a certificate of occupancy. The construction/purchase contract between the Contractor and the Qualified Homeowner shall be a guaranteed maximum fixed price contract. Any change orders increasing costs must be approved by the County and, prior to any further disbursement of Loan proceeds, the Borrower shall provide evidence to the County that the amount needed to cover the additional costs has been expended by the Borrower from its own funds. The purchase price of the Real Property and the Improvements may not exceed the maximum purchase price permitted under the County's State Housing Initiative Program (SHIP) guidelines. Said purchase price may not include allowances unless such allowances are (i) specified in detail in a separate Specification Addendum provided by and submitted to the St. Johns County Housing Division for approval prior to any expenditure of funds for such allowances and (ii) approved by the St. Johns County Housing Division prior to any expenditure of funds for such allowances. No Loan proceeds may be disbursed for allowances unless the County shall have approved such allowances as provided in this paragraph. Prior to the sale of the Real Property to the Qualified Homeowner, the Qualified Homeowner must provide proof that all utility deposits have been paid and the utilities shall be the responsibility of the Qualified Homeowner before the Qualified Homeowner occupies the Improvements.

(m) Timeframe For Completion; Time Is Of The Essence; Liquidated Damages.

(i) The Contractor shall obtain a building permit within twenty one (21) days of execution of this Agreement. The Contractor shall commence construction under this Agreement and the Contract Documents within seven (7) calendar days of obtaining the building permit and

shall proceed with due diligence to complete construction of the Improvements in accordance with the term of this Agreement and the Contract Documents. The Contractor shall expend its equity requirement and make its first draw of Loan proceeds in accordance with the terms hereof no later than thirty (30) days after the execution of this Agreement. The Contractor shall have two hundred ten (210) days from the date of this Agreement in order complete construction of the Improvements and close the sale of the Improvements and the Real Property to the Qualified Homeowner. The County may in its sole discretion grant an extension of such completion and sale date of up to ninety (90) days upon the written request of the Borrower as provided in the Note. Time is of the essence in completing the Improvements in accordance with this Agreement and the other Contract Documents.

(ii) The Contractor shall secure and maintain good and safe working conditions in order to (a) utilize licensed subcontractors and (b) schedule work in a manner so as to avoid, or overcome, delays or obstructions that hinder the orderly progress of construction. The Contractor shall not, however, be responsible for any delays caused by unforeseen circumstances, such as delays by government authorities, strikes, or force majeure situations, such as hurricanes, floods, or tornadoes, that negatively impact the Improvements, or negatively impact the Contractor or subcontractor's ability to perform under the Contract Documents. Except for unseen circumstances and force majeure situations described above the completion of the construction and sale shall be no later than six (6) months (180 days) from the date of the first draw under this Agreement, as such date may be extended in accordance with (i) above (the "Completion Date"). Completion of the construction shall be considered the day the final certificate of occupancy is issued and evidence of the same is delivered to the County and completion of the sale shall be considered the day the deed is delivered to the Qualified Homeowner and evidence of the same is delivered to the County.

(iii) The Lender may impose liquidated damages in the event the Contractor fails to complete the construction and sale of the Improvements within the timeframe referenced above and the Contractor fails to provide any documentation satisfactory to the Lender that the Contractor's failure to complete the same, within the timeframe referenced above, was due to the type of unforeseen circumstances or force majeure situations referenced above. The Lender may impose such liquidated damages in the amount of One Hundred Dollars (\$100.00) per day, for each and every day that construction of the Improvements remains uncompleted beyond the above-referenced timeframe.

(n) Warranty. The Contractor shall perform the work under the Contract Documents in a professional manner and meet the standards required by the St. Johns County Building Department, and in accordance with this Agreement and the Contract Documents. The Contractor shall provide a one-year builder's warranty that is effective from the date of sale of the Improvements to the Qualified Homeowner. The manufacturer's warranties associated with equipment and appliances installed in the Improvements at the time of construction shall transfer to, and be for the benefit of, the Qualified Homeowner.

(o) Risk of Loss. All supplies, materials and equipment that are on the job site awaiting installation, are the property of the Contractor. The Contractor shall bear the risk of loss of said items, except those materials supplied by the Qualified Homeowner. It is expressly understood that the Contractor assumes the risk of loss or damage to the property until payment in full of the Loan.

(p) Real Estate Taxes. All real estate taxes on the Real Property are the responsibility of the Borrower until the date of closing with the Qualified Homeowner.

9. INSPECTIONS. The Borrower will permit the County, or its representatives, at reasonable times and upon reasonable notice, to enter upon the Real Property, inspecting Improvements and all materials to be used in the construction thereof, and to examine all details, plans and shop drawings which are kept at the construction site, and will cooperate, and cause the Borrower's general contractor and subcontractors to reasonably cooperate with the County's representatives.

10. DEFAULT. The following events shall be deemed Events of Default:

(a) Bankruptcy. If there is filed by or against the Borrower a petition in bankruptcy or a petition for the appointment of a receiver or trustee of the property of the Borrower and any such petition not filed by the Borrower is not dismissed within sixty (60) days of the date of filing, or if the Borrower files a petition for reorganization under any of the provisions of the Bankruptcy Code or of any assignment for the benefit of creditors or makes any insolvency assignment or is adjusted insolvent by any court of competent jurisdiction.

(b) Breach of Covenants, Warranties and Representations. If any warranty or representation made by the Borrower in this Agreement or in any other Loan Document shall at any time be false or misleading in any material respect, or if the Borrower shall fail to keep, observe or perform any of the terms, covenants, representations or warranties contained in this Agreement, the Note, the Mortgage, the Loan Documents, the Contract Documents or any other document given in connection with the Loan or development of the Improvement (provided, that with respect to nonmonetary defaults, the County shall give written notice to the Borrower, who shall have thirty (30) days to cure), or is unwilling to meet its obligations thereunder.

(c) Failure to Use Funds. The Borrower shall fail to use all funds under this Agreement for costs associated with the construction of the Real Property by the Completion Date specified in Section 8(m) hereof. In the event the Borrower fails to use all funds by such date, all remaining funds shall revert to the County and the County may reallocate for other projects or needs.

(d) Failure to Complete. The Borrower shall fail to secure a certificate of occupancy and complete the construction and sale of the Improvements by the Completion Date specified in Section 8(m) hereof.

(e) Abandonment. The Borrower ceases and/or abandons construction of the Improvements for a period of time exceeding 20 calendar days, except as otherwise permitted in Section 8(m)(ii) hereof.

(f) Liquidated Damages. The Borrower accumulates liquidated damages under Section 8(m)(iii) hereof in excess of One Thousand Two Hundred Dollars (\$1,200.00).

(g) Death or Incompetence. The Borrower if an individual or the principal owner of the Borrower dies or is deemed/ruled incompetent by a competent court of law.

(h) Sale without Payment of Note. The Borrower shall sell the Improvements or Real Property without the payment in full of the Note.

(i) Material Adverse Change. A material adverse change occurs, or is reasonably likely to occur, in the Borrower's business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit; or the Lender determines that it is insecure for any other reason.

11. REMEDIES OF LENDER. Upon the happening of an Event of Default and expiration of any applicable cure periods, then the County may, at its option, upon written notice to the Borrower:

(a) Cancel this Agreement;

(b) Commence an appropriate legal or equitable action to enforce performance of this Agreement;

(c) Accelerate the payment of the Note and any other sums secured by the Mortgage, and commence appropriate legal and equitable action to foreclose the Mortgage and collect all such amounts due the County; or

(d) Exercise any other rights or remedies the County may have under the Mortgage or other Loan Documents or Contract Documents executed in connection with the Loan or which may be available under applicable law.

12. GENERAL TERMS. The following shall be applicable throughout the period of this Agreement or thereafter as provided herein:

(a) Rights of Third Parties. All conditions of the County hereunder are imposed solely and exclusively for the benefit of the County and its successors and assigns, and no other person shall have standing to require satisfaction of such conditions or be entitled to assume that the County will make disbursements in the absence of strict compliance with any or all thereof, and no other person shall, under any circumstances, be deemed to be a beneficiary of this Agreement, the Loan Documents or the Contract Documents, any provisions of which may be freely waived in whole or in part by the County at any time if, in its sole discretion, it deems it desirable to do so. In particular, the County makes no representations and assumes no duties or obligations as to third parties concerning the quality of the construction by the Borrower of the Improvements or the absence therefrom of defects.

(b) Borrower is not the County's Agent. Nothing in this Agreement, the Note, the Mortgage or any other Loan Document or Contract Documents shall be construed to make the Borrower the County's agent for any purpose whatsoever, or the Borrower and the County partners,

or joint or co-venturers, and the relationship of the parties shall, at all times, be that of debtor and creditor.

(c) The County Not Liable for Damage or Loss. All inspections and other services rendered by or on behalf of the County pursuant to this Agreement shall be rendered solely for the protection and benefit of the County. Neither the Borrower nor other third persons shall be entitled to claim any loss or damage against the County or against its agents or employees for failure to properly conduct inspections and other such services contemplated by this Agreement.

(d) The County Not Obligated to Insure Proper Disbursement of Funds to Third Parties. Nothing contained in this Agreement or any Loan Documents or Contract Documents shall impose upon the County any obligation to oversee the proper use or application of any disbursements and disbursements of funds made hereunder.

(e) Indemnification from Third Party Claims. The Borrower shall indemnify and hold the County harmless from any liability, claims or losses resulting from or arising with respect to this Agreement or any Loan Document or Contract Documents, the disbursement of the Loan proceeds to the Borrower or from the condition of the Real Property, whether related to the quality of construction or otherwise, and whether arising during or after the term of the Loan. This provision shall survive the repayment of the Loan and shall continue in a full force and effect so long as the possibility of such liability, claims, or losses exists.

(f) Rights of Subcontractors, Laborers and Materialmen. In no event shall this Agreement be construed to make the County, any title company or agent of the County liable to the Borrower's contractor or any subcontractors, laborers, materialmen, craftsmen, or others for labor, materials, or services delivered to the Real Property or goods specially fabricated for incorporation therein, or for debts or liens accruing or arising to such persons or parties against the Borrower or the Borrower's contractor. It is distinctly understood and agreed that there is no relation of any type whatsoever, contractual or otherwise, whether express or implied, between the County and the Borrower's contractor, any materialman, subcontractor, craftsman, laborer or any other person or entity supplying any labor, materials or services to the Real Property or specially fabricating goods to be incorporated therein. Except as otherwise specifically provided herein, no such person or entities are intended to be third party beneficiaries of this Agreement or any document or instrument related to the Loan or to have any claim or claims in or to any undisbursed or retained Loan proceeds.

(g) Evidence of Satisfaction of Conditions. The County shall, at all time, be free independently to establish to its good faith and satisfaction, and in its absolute discretion, the existence or nonexistence of a fact of facts which are disclosed in documents or other evidence required by the terms of this Agreement.

(h) Headings. The headings of the sections, paragraphs and subdivisions of this Agreement are for the convenience of reference only, and shall not limit or otherwise affect any of the terms hereof.

(i) Invalid Provisions to Affect No Others. If performance of any provision hereof or any transaction related hereto is limited by law, then the obligation to be performed shall be reduced accordingly; and if any clause or provision herein contained operates or would prospectively operate to invalidate this Agreement in part, then the invalid part of said clause or provision only shall be held for naught, as though not contained herein, and the remainder of this Agreement shall remain operative and in full force and effect.

(j) Application of Interest to Reduce Principal Sums Due. In the event that any charge, interest or late charge is above the maximum rate provided by law, then any excess amount over the lawful rate shall be applied by the County to reduce the principal sum of the Loan or any other amounts due the County hereunder.

(k) Governing Law and Venue. The laws of the State of Florida shall govern the interpretation and enforcement of this Agreement. Venue for any administrative and/or legal action arising under this Agreement or any other Loan Document or Contract Document shall be in St. Johns County, Florida.

(l) Number and Gender. Whenever the singular or plural number, masculine or feminine or neuter gender is used herein, it shall equally include the others and shall apply jointly and severally.

(m) Agreement. This Agreement constitutes the entire understanding and agreement between the parties with respect the subject matter hereof and may not be modified or amended, except in writing and signed by all parties hereto.

(n) Waiver. If the County shall waive any provisions of the Loan Documents or the Contract Documents, or shall fail to enforce any of the conditions or provisions of this Agreement, such waiver shall not be deemed to be a continuing waiver and shall never be construed as such; and the County shall thereafter have the right to insist upon the enforcement of such conditions or provisions. Furthermore, no provision of this Agreement shall be amended, waived, modified, discharged or terminated, except by instrument in writing signed by the parties hereto.

(o) Notices. All notice from the Borrower to the County and the County to the Borrower required or permitted by any provision of this Agreement shall be in writing and sent by registered or certified mail and addressed as follows:

TO LENDER: St. Johns County
P.O. Box 349
St. Augustine, Florida 32085-0349
Attn: Manager, Housing and Community Services

With a copy to: Edwards Cohen
6 East Bay Street Suite 500
Jacksonville, Florida 32202
Attention: Jean M. Mangu, Esq.

TO CONTRACTOR

_____, Florida _____
Attention: _____
Taxpayer Identification No. _____

Such addresses may be changed by written notice to the other party.

(p) Successors and Assigns. This Agreement shall inure to the benefit of and be binding on the parties hereto and their heirs, legal representatives, successors and assigns; but nothing herein shall authorize the assignment hereof by the Borrower.

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

(r) Waiver of Jury Trial. The Borrower waives its right to a trial by jury in any action, whether arising in contract or tort, by statute or otherwise, in any way related to the Loan. This provision is a material inducement for the County's extending credit to the Borrower and no waiver of limitation of the County's rights under this paragraph shall be effective unless in writing and manually signed on the County's behalf.

[COUNTERPART SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Borrower and the County have caused this Agreement to be executed as of the day and year first above written.

_____, a
Florida [corporation][limited liability company]
[sole proprietor]

By: _____
Name: _____
Title: _____

ST. JOHNS COUNTY, a political subdivision
of the State of Florida

By: _____
Name: _____
Title: County Administrator

Attest: _____
Name: _____
Title: Clerk of its Board of County Commissioners

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

LOAN AMOUNT CALCULATIONS

Land	\$ _____
Capitalized Interest	\$ _____
Construction Building Costs	\$ _____
Permit/Impact Fees	\$ _____
Loan Adm. Costs	\$ _____
Builders Overhead	\$ _____
 Total Cost of Home Const.	 \$ _____
 Loan Amount *	 \$ _____
Contractor Equity**	\$ _____
 Total Cost of Home Const.***	 \$ _____
 Fixed Contract Sale Price of Home***	 \$ _____
Closing Costs for Home Purchase	\$ to be paid by homebuyer

*The loan amount may not exceed the lesser of 90% of the Total Cost approved by the County or 85% of the as completed appraisal value as determined by the County.

**The Contractor Equity shall be expended, and evidence thereof shall be submitted to the County, prior to the disbursement of any Loan proceeds.

**The Fixed Contract Sale Price of Home shall not exceed the Total Cost of Home Construction.

EXHIBIT C

DRAW SCHEDULE

(Based on a construction loan amount of \$ _____ with 10% holdback)

All physical requirements must be completed and inspected and related invoices must be submitted and approved prior to disbursement of any loan proceeds.

FIRST DRAW: \$ _____

- 1) Permitting
- 2) Clearing and grading of lot
- 3) Footers
- 4) Stem wall
- 5) Rough plumbing
- 6) Slab

SECOND DRAW: \$ _____

- 1) Rough framing or block structure
- 2) Rough electric, plumbing, heat and air
- 3) Windows
- 4) Exterior doors

THIRD DRAW: \$ _____

- 1) Roofing
- 2) Insulation
- 3) Sheet rock
- 4) Second electric, plumbing heat and air

FOURTH DRAW: \$ _____

- 1) Kitchen cabinets
- 2) Bath cabinets
- 3) Paint
- 4) Doors
- 5) Trim
- 6) Finish plumbing
- 7) Heat & Air

FIFTH DRAW: \$ _____

- 1) Final inspection by the County Building Dept.
- 2) Final inspection by County Housing Division
- 3) Certificate of occupancy
- 4) Release of all liens and certified statement by Contractor as to the satisfaction of any and all debts related to the permitting, construction and completion of said residential structure and additional infrastructure improvements

This instrument prepared by
and to be returned to:

Jean M. Mangu, Esquire
Edwards Cohen
6 East Bay Street, Suite 500
Jacksonville, Florida 32202

THIS IS A BALLOON MORTGAGE AND THE FINAL PRINCIPAL PAYMENT OR THE PRINCIPAL BALANCE DUE UPON MATURITY IS \$ _____, TOGETHER WITH ACCRUED AND UNPAID INTEREST AND ALL ADVANCEMENTS MADE BY THE MORTGAGEE UNDER THE TERMS OF THIS MORTGAGE.

MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT (this "Mortgage"), is made and executed as of _____, 20__, by _____, a Florida [corporation][limited liability company] [sole proprietor] (the "Mortgagor"), as party of the first part, and ST. JOHNS COUNTY, a political subdivision of the State of Florida (the "Mortgagee") (which term as used in every instance shall include the Mortgagee's successors and assigns), as party of the second part;

WITNESSETH:

The Mortgagor is the owner of the real property described in Exhibit "A" attached hereto (the "Premises") and made a part hereof. The Mortgagee has as of this date provided for a loan in the amount of ___ Hundred _____ Thousand Dollars (\$_____.00) to the Mortgagor and in connection therewith the Mortgagor has as of this date executed and delivered to the Mortgagee its Promissory Note in that amount (the "Note").

This Mortgage is given in accordance with that certain Construction Loan Agreement dated as of the date hereof, between the Mortgagor and the Mortgagee (the "Loan Agreement"). This Mortgage, the Note and the Loan Agreement shall hereinafter collectively be referred to as the "Loan Documents."

GRANTING CLAUSE

NOW, THEREFORE, the Mortgagor, in consideration of the premises and in order to secure payment of both the principal of, and the interest and any other sums payable on, the Note or this Mortgage, and the performance and observance of all the provisions hereof, and of the Loan Documents, hereby gives, leases, bargains, sells, warrants, aliens, remises, releases, conveys, assigns, transfers, mortgages, hypothecates, deposits, pledges, sets over and confirms unto the Mortgagee, all of the Mortgagor's estate, right, title and interest in, to and under any and all of the Premises,

improvements (including improvements to be made hereafter), fixtures, appurtenances, building materials, goods, furnishings, equipment, chattels and personal property here and below described now located or hereafter erected or located on the Premises, all of which shall be deemed to be fixtures and an accession to the freehold and a part of the realty as between the parties hereto and all persons claiming by, through and under them and shall be deemed to be a portion of the security for the indebtedness herein mentioned and secured by this Mortgage (collectively referred to hereinafter as the "Mortgaged Property").

TOGETHER with all and singular the rights, interests and appurtenances whatsoever, in any way belonging, relating or appertaining to any of the Mortgaged Property hereinabove mentioned or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by the Mortgagor including but not limited to all of the Mortgagor's rights under contracts, permits, licenses and all other documents and payments affecting the Mortgaged Property, reserving only the right to the Mortgagor to collect the same so long as the Mortgagor is not in default hereunder and so long as the same are not subjected to garnishment levy, attachment or lien.

TO HAVE AND TO HOLD the Mortgaged Property and all hereditaments, easements, parts, rights, tenements and appurtenances thereof, to the use, benefit and behalf of the Mortgagee, its successors and assigns in fee simple forever, and the Mortgagor covenants that the Mortgagor is lawfully seized and possessed of the Premises in fee simple and has good right to convey the same, that the same are unencumbered excepting taxes accruing subsequent to the current year and those certain exceptions appearing on the Mortgagee's Title Insurance Policy given in connection herewith and specifically approved by the Mortgagee, and that the Mortgagor will warrant and defend the title thereto against the claims of all persons whomsoever, except as hereinafter expressly provided.

PROVIDED ALWAYS that if the Mortgagor shall pay unto the Mortgagee all sums required under the terms of the Note, which Note is in the original principal amount of \$_____.00 and has a maturity date of _____, 20__, unless such maturity is extended or accelerated as set forth in the Note, and shall comply with and abide by each and every one of the stipulations, agreements, conditions and covenants of the Loan Documents, then in such event this Mortgage and the estate hereby created shall cease and be null and void.

The Mortgagor covenants with the Mortgagee as follows:

ARTICLE I

1.1 Payments of Indebtedness. The Mortgagor shall pay the principal and interest and all other sums to become due in respect to the Note at the time and place and in the manner specified in the Note, according to the true intent and meaning thereof.

1.2 Taxes, Liens and Other Charges.

(a) The Mortgagor, from time to time when the same shall become due and payable, will pay and discharge all taxes of every kind and nature, all general and special assessments, levies, permits, inspection and license fees, all water and sewer rents and charges and all other public

charges, whether of a like or different nature, imposed upon or assessed against the Mortgaged Property or any part thereof or upon the revenues, rents, issues, income and profits of the Mortgaged Property or arising in respect of the occupancy, use or possession thereof. This requirement does not in any way preclude the Mortgagor from contesting real or personal property taxes when appropriate. The Mortgagor will, upon the request of the Mortgagee, deliver to the Mortgagee copies of receipts evidencing the payment of all such taxes, assessments, levies, fees, rents and other public charges imposed upon or assessed against the Mortgaged Property or the revenues, rents, issues, income or profits thereof.

(b) The Mortgagor shall pay or cause to be bonded off or insured over, from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers, and other persons or entities which, if unpaid, might result in or permit the creation of, a lien on the Mortgaged Property or any part hereof, or on the revenues, rents, issues, income and profits arising therefrom whether such lien is or may become prior or remain inferior to this Mortgage and also, irrespective of the priority of such other lien(s). The Mortgagor in general will do or cause to be done everything necessary so that the lien hereof shall be fully preserved, at the cost of the Mortgagor, without expense to the Mortgagee.

(c) The Mortgagor shall pay any taxes except any income taxes imposed on the Mortgagee by reason of the Mortgagee's ownership of the Note or this Mortgage.

1.3 Insurance. The Mortgagor will keep the Mortgaged Property continuously insured in the manner provided in the Loan Agreement and in an amount no less than full insurable value which coverage shall insure the Mortgaged Property against loss or damage by fire and by the perils covered by extended coverage and against such other hazards as the Mortgagee, in its sole discretion, shall from time to time require, for the benefit of the Mortgagee. All such insurance at all times will be in an insurance company or companies in such amounts and with terms acceptable to the Mortgagee, with loss, if any, payable to the Mortgagee as its interest may appear, pursuant to a non-contributory mortgagee clause which shall be satisfactory to the Mortgagee; and forthwith upon the issuance of such policies they will deliver to the Mortgagee copies of receipts for the premiums paid thereon and certificates of insurance and certified copies of such policies. Any policies furnished the Mortgagee shall become its property in the event the Mortgagee becomes the owner of the Premises by foreclosure or otherwise. The Mortgagee is hereby authorized and empowered, at its option, to adjust or compromise any loss under any insurance policies on the Mortgaged Property. Each insurance company is hereby authorized and directed to make payment for all such losses to the Mortgagor and the Mortgagee jointly. Should a loss be incurred, equal to or in excess of fifty percent (50%) of the full insurable value of the Mortgaged Property, then in such event, the Mortgagee and the Mortgagor may jointly elect to use the proceeds for the reconstruction and repair of the Mortgaged Property or, in the alternative, to apply the net proceeds to the payment of the indebtedness hereby secured, whether then due or not.

1.4 Care of Premises.

(a) The Mortgagor will keep the improvements now or hereafter erected on the Premises in good and safe condition and repair, will not commit or suffer any waste and will not do

or suffer to be done anything which will increase the risk of fire or other hazard to the Mortgaged Property or any part thereof.

(b) If the Mortgaged Property or any part thereof is damaged in an amount greater than \$10,000.00 by fire or any other cause, the Mortgage will give immediate written notice of the same to the Mortgagee.

(c) The Mortgagee or its representative is hereby authorized to enter upon and inspect the Mortgaged Property upon prior reasonable notice, at any time during normal business hours.

(d) The Mortgagor will promptly comply with all present and future laws, ordinances, rules and regulations of any governmental authority affecting the Mortgaged Property or any part thereof.

(e) If all or any part of the Mortgaged Property shall be damaged by fire or other casualty, the Mortgagor will, upon request of the Mortgagee, if commercially reasonable, promptly restore the Mortgaged Property to the substantial equivalent of its condition immediately prior to such damage, and if a part of the Mortgaged Property shall be damaged through condemnation, the Mortgagor will, upon request of the Mortgagee, promptly restore, repair or alter the remaining part of the Mortgaged Property in a manner reasonably satisfactory to the Mortgagee. Nothing contained herein shall, however, relieve the Mortgagor from its obligation to make any payment due under the Note in accordance with its terms.

1.5 Further Assurances; Modifications. At any time, and from time to time, upon request by the Mortgagee, the Mortgagor will, at the Mortgagor's sole cost and expense, make, execute and deliver or cause to be made, executed and delivered, to the Mortgagee, any and all other further instruments, certificates and other documents as may, in the opinion of the Mortgagee, be reasonably necessary or desirable in order to effectuate, complete, or perfect or to continue and preserve (i) the obligations of the Mortgagor under the Note, (ii) the security interest of this Mortgage, and (iii) the mortgage lien created hereunder. Upon any failure by the Mortgagor so to do, the Mortgagee may make, execute and record any and all such instruments, certificates and documents for and in the name of the Mortgagor and the Mortgagor hereby irrevocably appoints the Mortgagee the agent and the attorney in fact of the Mortgagor so to do.

1.6 Expenses. In addition to the expenses described in Section 2.6(b) hereof, the Mortgagor will pay or reimburse the Mortgagee for all reasonable attorney's fees, costs and expenses, incurred by the Mortgagee in any proceedings or in any action, legal proceeding or dispute of any kind which relate to or arise from the Mortgage of the interest created herein, or the Mortgaged Property, including but not limited to the exercise of the power of sale of this Mortgage, any condemnation action involving the Mortgaged Property or any action to protect the security hereof; and any such amounts paid by the Mortgagee shall be secured by this Mortgage.

1.7 Estoppel Affidavits. The Mortgagor, upon ten days' prior written notice, shall furnish the Mortgagee a written statement, duly acknowledged, setting forth the unpaid principal of, and interest on, the indebtedness secured hereby and whether or not any off-sets or defenses exist against

such principal and interest. The Mortgagee, upon ten days' prior written notice, shall furnish the Mortgagor a written statement, duly acknowledged, setting forth the unpaid principal of, and interest on, the indebtedness secured hereby and whether or not any off-sets or defenses exist against such principal and interest.

1.8 Subrogation. The Mortgagee shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid with the proceeds of the indebtedness secured hereby.

1.9 Performance by Mortgagee of Defaults by Mortgagor. If the Mortgagor shall default in the payment of any tax, lien, assessment or charge levied or assessed against the Mortgaged Property; in the payment of any utility charge, whether public or private; in the payment of any insurance premium; in the procurement of insurance coverage and the delivery of the insurance policies required hereunder; in the performance of any covenant, term or condition of any leases affecting all or any part of the Mortgaged Property; or in the performance or observance of any covenant, condition or term of this Mortgage; then the Mortgagee, at its option, may perform or observe the same, and all payments made or costs incurred by the Mortgagee in connection therewith, shall be secured hereby and shall be, with demand, immediately repaid by the Mortgagor to the Mortgagee with interest thereon at the maximum rate provided by law. The Mortgagee shall be the sole judge of the legality, validity and priority of any such tax, lien, assessment, charge, claim, premium and obligation, of the necessity for any such actions and of the amount necessary to be paid in satisfaction thereof. Upon the occurrence and continuation of such a default, the Mortgagee is hereby empowered to enter and to authorize others to enter upon the Mortgaged Property or any part thereof for the purpose of performing or observing any such defaulted covenant, condition or term, without thereby becoming liable to the Mortgagor or any other person in possession holding under the Mortgagor.

1.10 Condemnation. In the event of a condemnation (which term when used in this Mortgage shall include any damage or taking by any governmental authority and any transfer by private sale in lieu thereof) either temporarily or permanently, of any part of the Mortgaged Property constituting fifty percent (50%) or more of the full value of the Mortgaged Property, or in the event such condemnation makes the Mortgaged Property unusable for the purposes contemplated herein and in the Loan Agreement, then in such event, the entire indebtedness secured hereby shall at the option of the Mortgagee, become immediately due and payable. Such events shall be a Condemnation Event ("Condemnation Event"); however, any condemnation for less than (50%) of value or not rendering the Mortgaged Property unusable, shall not be affected by this section. In the event of a Condemnation Event: The Mortgagee shall be entitled to all compensation, awards, and other payments or relief thereof, and is hereby authorized at its option, to commence, appear in, and prosecute, in its own, or the Mortgagor's name, any action or proceeding relating to any condemnation, any to settle or compromise any claim in connection therewith; and all such compensation, awards, damages, claims, rights of action and proceeds, and the right thereto from any Condemnation Event are hereby assigned by the Mortgagor to the Mortgagee, who, after deducting therefrom, all its expenses, including attorneys fees, may release any moneys received by it without further affecting this Mortgage and may apply the same in such manner as the Mortgagee shall determine, to the reduction of the sum secured hereby, and any balance of such moneys then remaining shall be paid to the Mortgagor. The Mortgagor agrees to execute such further assignment

of any compensation, awards, damages, claims, rights of action and proceeds from a Condemnation Event as the Mortgagee may require.

1.11 Environmental Representations and Indemnification.

(a) The Mortgagor covenants with the Mortgagee that to the best knowledge of Mortgagor, the Mortgaged Property has not been used and will not be used in whole or in part for the storage of hazardous waste or other materials or substances regulated under federal, state or local statutes ("Hazardous Materials"), other than in accordance with applicable governmental requirements.

(b) To the best knowledge of Mortgagor, no violation of any federal, state or local environmental regulations now exists regarding the Mortgaged Property.

(c) The Mortgagor shall comply with all federal, state and local environmental regulations during the construction of the improvements on the Premises.

(d) The Mortgagor shall give written notice to the Mortgagee immediately upon Mortgagor's acquiring knowledge of the presence of any Hazardous Materials on the Mortgaged Property or of any hazardous Materials contamination thereon, or of any notices received by the Mortgagor that are violations or potential violations of any environmental regulation laws, ordinances, rules or regulations exists on the Mortgaged Property.

(e) The Mortgagor hereby agrees to defend, protect, indemnify and hold harmless the Mortgagee and its officers, employees, attorneys and agents (collectively called the "Indemnitees") from and against all liabilities, obligations (including removal and remedial actions), losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements) of any kind or nature whatsoever that may at any time be incurred by, imposed on or asserted against such Indemnitees directly or indirectly based on, or arising or resulting from (A) the actual or alleged presence or release of Hazardous Materials on the Mortgaged Property, (B) any environmental claim, or (C) the exercise of Mortgagee's rights under any of the provisions of this Section 1.11 (the "Indemnified Matters") unless such Indemnified Matters arise from the actions of the Indemnitees or after the Mortgagor is no longer in possession of the Mortgaged Property. The Mortgagor's obligation under this Section 1.11(e) will survive the repayment of indebtedness under the Note.

To the extent that the undertaking in the preceding paragraph may be unenforceable because it is violative of any law or public policy, the Mortgagor will contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Matters incurred by the Indemnitees.

All sums paid and costs incurred (including attorneys' fees) by the Mortgagee with respect to any Indemnified Matter shall bear interest at the maximum rate permitted by law, from the date so paid or incurred until reimbursed by the Mortgagor and all such sums and costs shall be added to the obligations secured hereby and shall be immediately due and payable on demand.

ARTICLE II

2.1 Due on Sale or Further Encumbrance Clause. In determining whether or not to make the loan secured hereby, the Mortgagee examined the credit-worthiness of the Mortgagor, found it acceptable and continues to rely upon the same as the means of repayment of the loan. The Mortgagee also evaluated the background and experience of the Mortgagor in owning and constructing property such as the Mortgaged Property, found it acceptable and continues to rely upon same as the means of maintaining the value of the Mortgaged Property. The Mortgagor was advised to retain a licensed attorney at law in the negotiation and documentation of the loan secured hereby and bargained at arm's length and without duress or any kind for all of the terms and conditions of the loan, including this provision. The Mortgagor further recognizes that any secondary or junior financing placed upon the Mortgaged Property (a) may divert funds which would otherwise be used to pay the Note secured hereby; (b) could result in acceleration and foreclosure by any such junior encumbrance which would force the Mortgagee to take measures and incur expenses to protect its security; and (c) could detract from the value of the Mortgaged Property should the Mortgagee's right to accept a deed in lieu of foreclosure, as a foreclosure by the Mortgagee would be necessary to clear the title to the Mortgaged Property.

In accordance with the foregoing and for the purposes of (i) protecting the Mortgagee's security both of repayment by the Mortgagor and of value of the Mortgaged Property; (ii) giving the Mortgagee the full benefit of its bargain and contract with the Mortgagor, and (iii) keeping the Mortgaged Property free of subordinate financing liens, the Mortgagor agrees that if this Section 2.1 be deemed a restraint on alienation, that it is a reasonable one and that any sale, conveyance, assignment, further encumbrance or other transfer of title to the Mortgaged Property or any interest therein (whether voluntarily or by operation of law) (except utility easements and similar use agreements applicable to the construction and/or delivery of services and utilities to the Mortgaged Property) without the Mortgagee's prior written consent, which will not be unreasonably withheld, conditioned or delayed for any reason, shall be an Event of Default hereunder. For the purpose of and without limiting the generality of, the preceding sentence, the occurrence at any time of any of the following events shall be deemed to be an unpermitted transfer of title to the Mortgaged Property and therefore an Event of Default hereunder:

(a) any sale, conveyance, assignment or other transfer of or the grant of a security interest in, all or any part of the title to the Mortgaged Property other than in accordance with the terms of Loan Agreement; or

(b) any new or additional liabilities secured by the property without the prior written consent of the Mortgagee.

Any consent by the Mortgagee, or any waiver of an Event of Default, under this Section 2.1 shall not constitute a consent to, or waiver of any right, remedy or power of the Mortgagee upon a subsequent event of default under this Section 2.1. This provision shall not in any way require immediate repayment upon sale or transfer of any owner's interest in the Mortgagor. Any sale or

transfer of the owner's interest in the Mortgagor must be done in accordance with the applicable organizational documents and with notice to the Mortgagee.

2.2 Default. A default shall have occurred hereunder if:

(a) The Mortgagor shall fail to pay in full within five (5) days from the date due and payable any installment of principal, interest, late charges or escrow deposits as required by the Note, this Mortgage and otherwise; or

(b) The Mortgagor shall fail to duly observe on time any other covenant, condition or agreement of this Mortgage, the Loan Documents or of any other instrument evidencing, security or executed in connection with the indebtedness secured hereby, and such failure continues for a period of thirty (30) days following written notice by the Mortgagee; or

(c) Any warranties or representations made or agreed to be made in any of the Loan Documents shall be breached by the Mortgagor or shall prove to be false or misleading in any material manner and such breach is not cured within thirty (30) days following notice from the Mortgagee; or

(d) Any lien for labor or material or otherwise shall be filed against the Premises, and such lien is not canceled, removed, bonded over, insured against, or transferred within sixty (60) days after notice of such lien; or

(e) A levy shall be made under any process on, or a receiver be appointed for, the Mortgaged Property or any other property of the Mortgagor; or

(f) The Mortgagor shall file a voluntary petition in bankruptcy, or any other petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation or similar relief for the Mortgagor under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtor; or

(g) The Mortgagor shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Mortgagor or of all or any part of the Mortgaged Property or of any or all of the rents, revenues, issues, earnings, profits or income thereof; or

(h) The Mortgagor shall make any general assignment for the benefit of creditors; or

(i) In any legal proceeding the Mortgagor shall be alleged to be insolvent or unable to pay the Mortgagor's debts as they become due and is not dismissed within sixty (60) days of filing; or

(j) A breach by the Mortgagor of any covenant, representation, or warranty set forth in the Loan Agreement and after the expiration of any applicable grace period, or an Event of Default occurs under the terms of the Loan Agreement or any of the other Loan Documents pertaining to the Note and this Mortgage.

If the Mortgagee shall reasonably believe that any one or more of the defaults enumerated in paragraphs (a) through (j) above may occur, then the Mortgagee shall notify the Mortgagor of the specific facts which create the reasonable basis for its belief and shall request the Mortgagor to provide evidence reasonably satisfactory to the Mortgagee that such default is not likely to occur or that Mortgagor has taken appropriate steps to cure the default if it should occur.

2.3 Special Conditions.

(a) Upon sale, transfer, conveyance or refinancing of the Mortgaged Property, all available proceeds of the sale shall be applied to pay the following items in order of priority:

- (1) Expenses of the sale;
- (2) All accrued but unpaid interest on the Note;
- (3) The principal due on the Note.

(b) All of the principal and interest of the indebtedness secured hereby shall be due and payable upon sale, transfer, conveyance or refinancing of the Mortgaged Property.

(c) The indebtedness secured hereby shall be serviced by the Mortgagee or by a servicer selected by the Mortgagee.

(d) The discrimination provision of §420.516, Florida Statutes, as amended, shall apply to the loan secured hereby.

(e) The Mortgaged Property shall be reserved for sale to, and sold to, a Qualified Homeowner (as defined in the Loan Agreement) in the manner and to the extent described in the Loan Agreement (the Mortgagor's obligation under this paragraph will survive the repayment of indebtedness under the Note).

A violation of any of the above stated Special Conditions by Mortgagor shall constitute an Event of Default hereunder.

2.4 Acceleration of Maturity. If an Event Default shall have occurred hereunder which is not cured within applicable cure periods, then the whole unpaid principal sum of the indebtedness secured hereby with interest accrued thereon shall, at the option of the Mortgagee, become due and payable without further notice or demand, time being of the essence of this Mortgage and of the Note secured hereby; and no omission on the part of the Mortgagee to exercise such option when entitled so to do shall be considered as a waiver of such right.

2.5 Right of Mortgagee to Enter and Take Possession.

(a) If any Event of Default shall have occurred and be continuing, the Mortgagor, upon demand of the Mortgagee, shall forthwith surrender to the Mortgagee the actual possession of the Mortgaged Property and if, and to the extent permitted by law, the Mortgagee may enter and take possession of the Mortgaged Property and may exclude the Mortgagor and the Mortgagor's agents and employees wholly therefrom. In the event the Mortgagee exercises its rights pursuant to this subparagraph (a), the Mortgagee shall be deemed to be acting as agent of the Mortgagor and not as owner of the Mortgaged Property.

(b) Upon the occurrence and continuation of an Event of Default beyond any applicable cure or grace period and for the purpose of carrying out the provisions of this Section 2.5, the Mortgagor hereby constitutes and appoints the Mortgagee the true and lawful attorney in fact of the Mortgagor to do and perform, from time to time, any and all actions necessary and incidental to such purpose and does, by these presents, ratify and confirm any and all actions of said attorney in fact in the Mortgaged Property.

(c) Whenever all such Events of Default have been cured and satisfied, the Mortgagee shall surrender possession of the Mortgaged Property to the Mortgagor, provided that the right of the Mortgagee to take possession, from time to time, pursuant to Section 2.5(a) shall exist if any subsequent default shall occur and be continuing.

2.6 Appointment of a Receiver and Foreclosure.

(a) If an Event of Default shall have occurred hereunder which is not cured within applicable cure periods, then the whole debt secured by this Mortgage, with all interest thereon, and all other amounts hereby secured shall, at the option of the Mortgagee, become immediately due and payable, and may forthwith or at any time thereafter be collected by suit at law, foreclosure or other proceeding upon this Mortgage or by any other proper, real or equitable procedure without declaration of such option and without notice.

(b) In any suit to foreclose the lien hereof, there shall be allowed and included as additional indebtedness in the decree for sale all reasonable expenditures and expenses which may be paid or incurred by or on behalf of the Mortgagee for reasonable attorneys' fees, appraisers' fees, outlays for documentary and expert evidence, stenographers' charges, publication cost and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstract of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to title as the Mortgagee may deem to be reasonably necessary either to prosecute such suit or to evidence to bidders at any sale which may be had pursuant to such decree the true condition of the title to or the value of the Mortgaged Property. All reasonable expenditures and expenses of the nature in this Section 2.6 mentioned shall become so much additional debt secured hereby and shall be immediately due and payable with interest thereon at the maximum rate provided by law, when actually paid or incurred by the Mortgagee in connection with (i) any proceeding, including foreclosure, probate and bankruptcy proceedings, to which it shall be a party, either as plaintiff, claimant, or defendant, by reason of this Mortgage, or any indebtedness hereby

secured, (ii) preparations for the commencement of any suit for the foreclosure hereof after accrual of such right to foreclose whether or not actually commenced, or (iii) preparations for the defense of any threatened suit or proceeding which might affect the Mortgaged Property or the security hereof, whether or not actually commenced.

(c) Upon, or at any time after, the filing of a complaint to foreclose this Mortgage, the court in which such complaint is filed may appoint a receiver of the Mortgaged Property. Such appointment may be made either before or after sale, without notice, without regard to the solvency or insolvency of the Mortgagor at the time of application for such receiver and without regard to the then value of the Mortgaged Property. Such receiver shall have power to collect the rents, issues and profits of the Mortgaged Property during the pendency of such foreclosure suit, and in case of a sale and a deficiency, during the full statutory period of redemption, if any, whether there be redemption or not, as well as during any further times when the Mortgagor except for the intervention of such receiver, would be entitled to collect such rents, issues and profits, and all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Mortgaged Property during the whole of said period.

(d) The Mortgagor shall deliver to the Mortgagee at any time on its request, copies of all agreements for deed, contracts, leases, abstracts, title insurance policies, muniments of title, surveys and other papers relating to the Mortgaged Property, and in case of foreclosure thereof and failure to redeem, the same shall be delivered to and become the property of the person obtaining a deed to the Premises by reason of such foreclosure.

2.7 Discontinuance of Proceedings and Restoration of the Parties. In case the Mortgagee shall have proceeded to enforce any right or remedy under this Mortgage by receiver, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adverse to the Mortgagee, then in every such case the Mortgagor and the Mortgagee shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of the Mortgagee shall continue as if no such proceeding had been taken.

2.8 Remedies Cumulative. No right, power or remedy conferred upon or reserved by the Mortgagee by this Mortgage is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity or by statute.

2.9 Stamp and Excise Tax. If any documentary additional stamp or excise tax shall become applicable with respect to this Mortgage, the Note, any loan or credit extended hereunder, or any security agreement, guaranty, the loan agreement or other document, the Mortgagor shall promptly pay such tax in full (including interest and penalties, if any) and shall hold the Mortgagee harmless with respect thereto. The Mortgagor's liability under this Section 2.9 will survive the repayment of indebtedness under the Note.

ARTICLE III

3.1 Successors and Assigns Included in Parties. Whenever in this Mortgage one of the parties hereto is named or referred to, the heirs, legal representatives, successors and assigns of such parties shall be included and all covenants and agreements contained in this indenture by or on behalf of the Mortgagor and by or on behalf of the Mortgagee shall bind and inure to the benefit of their respective heirs, legal representatives, successors and assigns, whether so expressed or not; provided, however, that the Mortgagor shall have no right to assign its obligations hereunder without the prior written consent of the Mortgagee, which shall not be unreasonably withheld.

3.2 Headings. The headings of the sections, paragraphs and subdivisions of this Mortgage are for the convenience of reference only and shall not limit or otherwise affect any of the terms hereof.

3.3 Invalid Provisions to Affect No Others. If fulfillment of any provision hereof or any transaction related hereto or to the Note, at the time performance of such provisions shall be due, shall involve transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clause or provision herein contained operates or would prospectively operate to invalidate this Mortgage in whole or in part, then such clause or provision only shall be held for naught, as though not herein contained, and the remainder of this Mortgage shall remain operative and in full force and effect. Notwithstanding any provision contained herein, the total liability of the Mortgagor for payment of interest, including service charges, penalties or any other fees, shall not exceed the maximum amount of such interest permitted by applicable law to be charged, and if any payments by the Mortgagor include interest in excess of the maximum allowable amount then said excess shall be applied to the reduction of the unpaid principal amount due and pursuant hereto.

3.4 Number and Gender. Whenever the singular or plural number, masculine or feminine or neuter gender is used herein, it shall equally include the other.

ARTICLE IV

4.1 Notice. Any notice or other communication required or permitted to be given hereunder shall be sufficient if in writing and delivered in person or sent by United States Certified Mail, postage prepaid, to the parties being given such notice at the following addresses:

Mortgagor:

_____, Florida _____
Attention: _____

Mortgagee: St. Johns County, Florida
P.O. Box 349
St. Augustine, Florida 32085-0349
Attention: Director, Housing and Community Services

With a copy to: Edwards Cohen
6 East Bay Street, Suite 500
Jacksonville, Florida 32202
Attention: Jean M. Mangu, Esq.

Any party may change said address by giving the other parties hereto notice of such change of address. Notice given as hereinabove provided shall be deemed given on the date of its deposit in the United States Mail and, unless sooner received, shall be deemed received by the party to whom it is addressed on the third calendar day following the date on which said notice is deposited in the mail, or if a courier system is used, on the date of delivery of the notice.

ARTICLE V

5.1 Future Advances. It is agreed that this Mortgage shall also secure such future or additional advances as may be made by the Mortgage at its option to the Mortgagor, or its successor in title, for any purpose. The total amount of indebtedness secured by this Mortgage may decrease or increase from time to time, but the total unpaid balance so secured at any one time shall not exceed twice the principal amount of the Note, plus interest, and any disbursements made for the payment of taxes, levies or insurance on the Mortgaged Property with interest on those disbursements. If, pursuant to Section 697.04, Florida Statutes, as amended, the Mortgagor files a notice specifying the dollar limit beyond which future advances made pursuant to this Mortgage will not be secured by this Mortgage, then the Mortgagor shall, within one (1) day of filing such notice, notify the Mortgagee and its counsel by certified mail pursuant to Section 4.1 of this Mortgage. In addition, such a filing shall constitute an Event of Default hereunder.

5.2 Lien Priority. The lien priority of this Mortgage shall not be affected by any changes in the Note including, but not limited to, an increase in the interest rate charged pursuant to the Note. Any parties acquiring an interest in the Mortgaged Property subsequent to the date this Mortgage is recorded shall acquire such interest in the Mortgaged Property with notice that the Mortgagee may increase the interest rate charged pursuant to the Note or otherwise modify the Note and the Note, as modified, and this Mortgage shall remain superior to the interest of any party in the Mortgaged Property acquired subsequent to the date of this Mortgage is recorded.

5.3 Security Agreement. This instrument also creates a security interest in any and all equipment and furnishings as are considered or determined to be personal property or fixtures, together with all replacements, substitutions, additions, appurtenances, products or proceeds thereof, whether acquired now or in the future, and all products and cash and non-cash proceeds thereof, in favor of the Mortgagee under the Florida Uniform Commercial Code (the "UCC Collateral") to secure payment of principal, interest and other amounts due the Mortgagee now or hereafter secured hereby, and the Mortgagee shall also have all the rights and remedies of a secured part under the

Florida Uniform Commercial Code which shall be cumulative and in addition to all other rights and remedies of the Mortgagee arising under the common law or any other laws of the State of Florida or any other jurisdiction. For the purpose of compliance with the Florida Uniform Commercial Code, each Mortgagor is the debtor; the Mortgagee is the secured party; the address of the debtor (Mortgagor) and the address of the secured party (Mortgagee) from which information concerning the security interests granted hereby may be obtained are as set forth in Section 4.1 hereof; the state of organization of the debtor (Mortgagor) is Florida; the type of organization of the debtor (Mortgagor) is [corporation][limited liability company] [sole proprietor], the tax identification number of the debtor (Mortgagor) is _____; and the organization number of the debtor (Mortgagor) is _____.

The Mortgagor hereby authorizes the Mortgagee to file financing statements, continuation statements and financing statement amendments reciting this Mortgage to be a security agreement affecting all of the UCC Collateral pursuant to the Florida Uniform Commercial Code, in such form as the Mortgagee may require to perfect or continue the perfection of this security interest, and the Mortgagor agrees, if the Mortgagee so requests, to execute and deliver to the Mortgagee such financing statements, continuation statements and amendments. The Mortgagor shall pay all filing costs and all costs and expenses of any record searches for financing statements that the Mortgagee may require. Without the prior written consent of the Mortgagee, the Mortgagor shall not create or permit to exist any other lien or security interest in any of the UCC Collateral. If an Event of Default has occurred and is continuing, the Mortgagee shall have the remedies of a secured party under the Uniform Commercial Code, in addition to all remedies provided by this Mortgage or existing under applicable law. In exercising any remedies, the Mortgagee may exercise its remedies against the UCC Collateral separately or together, and in any order, without in any way affecting the availability of the Mortgagee's other remedies. This instrument constitutes a financing statement with respect to any part of the Mortgaged Property which is or may become a fixture.

5.5 Nonrecourse. Anything contained herein to the contrary notwithstanding, in the event of any default by the Mortgagor, as borrower, under the loan referenced herein, the sole remedy of the Mortgagee shall be to foreclose against the property given as security for the loan, and in no event shall any entity comprising the borrower nor any of its owners have any liability for the payment of the loan or for any other obligations referenced herein, or for the payment of any deficiency following the foreclosure against the property given as security for the loan.

5.6 Choice of Law. This Mortgage is to be construed in all respects and enforced according to the laws of the State of Florida.

5.7 Binding Effect. This Mortgage shall be binding upon and insure to the benefit of the Mortgagor and the Mortgagee hereto, and their respective permitted heirs, successors and assigns.

5.8 Survival of Provisions. The provisions of Sections 1.11(e), 2.3(e) and 2.9 shall survive the repayment of the indebtedness under the Note.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Mortgagor has executed this Mortgage on the date set forth in the acknowledgement below, but to be effective and deemed delivered for all purposes as the day and year first above written.

THIS IS A BALLOON MORTGAGE AND THE FINAL PRINCIPAL PAYMENT OR THE PRINCIPAL BALANCE DUE UPON MATURITY IS \$_____.00, TOGETHER WITH ACCRUED AND UNPAID INTEREST AND ALL UNPAID ADVANCEMENTS MADE BY THE MORTGAGEE UNDER THE TERMS OF THIS MORTGAGE.

WITNESSES:

_____, a
Florida [corporation] [limited liability
company] [sole proprietor]

Print Name : _____

By: _____
Name: _____
Title: _____

Print Name: _____

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 20__, by _____, as _____ of _____, a Florida [corporation][limited liability company] [sole proprietor]. He/she is personally known to me or has produced _____ as identification.

(Signature of Notary Public)

(Typed name of Notary Public)
Notary Public, State of Florida
Commission No. _____
My commission expires: _____

EXHIBIT "A"

LEGAL DESCRIPTION

SECURED PROMISSORY NOTE

\$ _____ .00

St. Johns County, Florida
_____, 20__

FOR VALUE RECEIVED the undersigned _____, a Florida [corporation][limited liability company] [sole proprietor] ("Maker"), promises to pay to the order of ST. JOHNS COUNTY, a political subdivision of the State of Florida, together with any other holder hereof ("Holder"), at P.O. Box 349, St. Augustine, Florida 32085-0349, or such other place as Holder may from time to time designate in writing, the principal sum of ___ Hundred _____ Thousand and 00/100 Dollars (\$ _____ .00) plus accrued interest to be paid in lawful money of the United States of America, as follows:

1. For the period from the date of this Note until all sums due and owing under this Note have been paid in full, interest will accrue on the unpaid principal balance of this Note at an adjustable rate, obtained by adding one hundred fifty (150) basis points to the three (3)-month LIBOR, adjusted quarterly, based on such rate as published in *The Wall Street Journal* on the last business day of the month immediately preceding each quarter; provided, however, that if such rate ceases to be published, Holder may select, in its sole and absolute discretion, a comparable index as a successor source for such rate (as so adjusted, the "Applicable Rate"). Notwithstanding the foregoing, for the period from the date hereof to but excluding _____ 1, 20__ [end of first quarter], the Applicable Rate is determined by reference to the three (3) month LIBOR published in *The Wall Street Journal* on the date hereof.

2. Repayment hereunder shall occur as follows:

(a) Interest accrued hereunder at the Applicable Rate shall be paid in arrears in quarterly installments, beginning on _____ 1, 20__ and continuing on first day of each month thereafter until the Maturity Date (as hereinafter defined). Interest shall be calculated on the basis of a three hundred sixty (360) days per year factor applied to the actual days on which there exists an unpaid principal balance. Holder will calculate interest and bill Maker for each appropriate period; provided, however, that failure of Holder to bill Maker does not relieve Maker's payment obligations hereunder.

(b) Repayment of principal shall occur by one balloon payment on the earlier of (i) _____, 20__ (the date 210 days from the date of this Note and in no event later than _____, 2011 [Fannie Mae credit facility expiration date]) or (ii) the sale of the Improvements (as defined in the hereinafter defined Loan Agreement) to a qualified homebuyer as provided in the Loan Agreement (the "Maturity Date").

(c) Maker may request that Holder extend the date specified in 1(b)(i) above in accordance with the following terms:

(i) In order for Holder to consider a request to extend the due date of the principal of this Note, Maker must deliver a written request for extension ("Extension Request") to Holder at least thirty (30) days before the due date of such principal together with any additional

information reasonably requested by Holder (“Extension Package”). If Maker fails to deliver the Extension Package to Holder thirty (30) days before such due date, the principal repayment will be due and payable in full on the applicable due date. Within fifteen (15) days after Holder receives all items to be included in the Extension Package, Holder will notify Maker whether Holder intends to extend such principal repayment due date for a three (3) month period (the “Extension Period”). If Holder does not respond within such fifteen (15) day period, its approval will be deemed to have been denied.

(ii) If Holder agrees to an Extension Period, it will deliver to Maker for signature a side agreement confirming the grant of the Extension Period and the new due date of the principal repayment (“Extension Option Agreement”). The grant of the extension option and the new due date of the principal repayment will not be effective until Holder receives the original Extension Option Agreement. If Holder does not receive the signed, original Extension Option Agreement on or before the then-effective principal repayment due date, no Extension Period will be granted and the principal repayment, together with all unpaid fees and costs, will be immediately due and payable in full.

(iii) Notwithstanding anything herein to the contrary, in no event will the due date of any principal repayment be extended beyond _____, 2011 [Fannie Mae credit facility expiration date].

(iv) Any extension of a principal repayment for an Extension Period will be granted or denied in the sole and absolute discretion of Holder, and in no event will Holder grant an Extension Period to Maker if an Event of Default as set forth in any Loan Documents (as hereinafter defined) has occurred.

3. This Note may be prepaid in whole or in part at any time, without penalty or premium upon three (3) days prior written notice to Holder. Any prepayment hereunder shall be applied first to unpaid costs of collection, servicing fees, and late charges, if any, then to accrued and unpaid interest and the balance, if any, to the principal balance.

4. After maturity or acceleration, this Note shall bear interest at the maximum rate allowed by law until paid in full.

This Note is executed pursuant to the terms and conditions of that certain Construction Loan Agreement dated as of the date hereof (the “Loan Agreement”), between Maker, as borrower, and Holder, as lender, evidences the Loan (as defined in the Loan Agreement) made by Holder to Maker and is secured by that certain Mortgage and Security Agreement dated as of the date hereof (the “Mortgage”), by Maker, as mortgagor, in favor of Holder, as mortgagee, encumbering certain real property located in St. Johns County, Florida (the “Premises”). The foregoing and all other agreements, instruments and documents delivered in connection therewith and herewith are collectively referred to as the “Loan Documents.”

This Note has been executed and delivered in, and is to be governed by the construed under the laws of, the State of Florida, as amended, except as modified by the laws and regulations of the United States of America.

If Holder now or hereafter becomes subject to any reserve, special deposit, insurance premium, capital adequacy or similar requirement against assets of, deposits with, or for the account of, or credit extended by, Holder, or any other condition is imposed upon Holder, which imposes a cost upon Holder, and the result, in the determination of Holder, is to increase, directly or indirectly, the cost to Holder of making the loan to Maker, to reduce the amount of any sum received or receivable by Holder under this Note, or to reduce Holder's rate of return on its capital, Maker will pay to Holder upon demand such amount in respect of such increased cost or reduction as Holder may determine to be the additional sum required to compensate Holder for such increased cost or reduction. In determining such additional amounts, Holder may make such estimates, assumptions, allocations and the like which Holder in good faith determines to be appropriate, but Holder's selection thereof and Holder's determinations based thereon are conclusive and final and binding upon Maker absent manifest error.

Nothing herein contained, nor any transaction related thereto, shall be construed or so operate as to require Maker to pay interest at a greater rate than is now lawful in such case to contract for, or to make any payment, or to do any act contrary to ethical law. Should any interest or other charges paid by Maker, or parties liable for the payment of this Note, in connection with the Loan Documents result in the computation or earning of interest in excess of the maximum rate of interest that is legally permitted under applicable law, any and all such excess shall be and the same is hereby waived by Holder, and any and all such excess shall be automatically credited against and in reduction of the balance due under this indebtedness, and a portion of said excess which exceeds the balance due under this indebtedness shall be paid by Holder to Maker.

Holder shall have the right to declare the total unpaid balance hereof to be immediately due and payable in advance of the Maturity Date upon the failure of Maker to pay when due any payment of principal or interest or other amount due hereunder, or upon the occurrence of an Event of Default pursuant to any other Loan Documents now or hereafter evidencing, securing or guarantying payment of this Note. Exercise of this right shall be with notice to Maker or to any other person liable for payment hereof.

Any payment hereunder not paid when due (at maturity, upon acceleration or otherwise) shall bear interest at the highest rate allowed by applicable law from the due date until paid.

Provided Holder has not accelerated this Note, Maker shall pay Holder a late charge of five percent (5%) of any required payment which is not received by Holder within fifteen (15) days of the due date of said payment. The parties agree that said charge is a fair and reasonable charge for the late payment and shall not be deemed a penalty.

Time is of the essence hereunder. In the event that this Note is collected by law or through attorneys at law, or under advice therefrom, Maker agrees, to pay all costs of collection including reasonable attorneys' fees, whether or not suit is brought, and whether incurred in connection with collection, trial, appeal, bankruptcy or other creditors proceedings or otherwise.

Acceptance of partial payments or payments marked "payment in full" or "in satisfaction" or words to similar effect shall not affect the duty of Maker to pay all obligations

due hereunder, and shall not affect the right of Holder to pursue all remedies available to it under any Loan Documents.

The remedies of Holder shall be cumulative and concurrent, and may be pursued singularly, successively or together, at the sole discretion of Holder, and any failure to exercise or forbearance in the exercise of any remedy, shall not be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by Holder and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be construed as continuing or as constituting a case of dealing, nor shall it be construed as a bar to, or as a waiver or release of, any subsequent remedy as to a subsequent event.

Any notice to be given or to be served upon any party hereto in connection with this Note, whether required or otherwise, may be given in any manner permitted under the Loan Documents.

The term "other person liable for payment hereof" shall include any endorser, guarantor, surety or other person now or hereafter primarily or secondarily liable for the payment of this Note, whether by signing this or another loan document.

Whenever the context so requires, the neuter gender includes the feminine and/or masculine, as the case may be, and the singular number includes the plural, and the plural number includes the singular.

Maker and any other person liable for the payment hereof respectively, hereby (a) expressly waive any valuation and appraisal, presentment, demand for payment, notice of dishonor, protest, notice of nonpayment or protest, all other forms of notice whatsoever, and diligence in collection; (b) consent that Holder may, from time to time and without notice to any of them or demand, (i) extend, rearrange, renew or postpone any or all payments, (ii) release, exchange, add to or substitute all or any part of the collateral for this Note, and/or (iii) release Maker (or any co-maker) or any other person liable for payment hereof, without in any way modifying, altering, releasing, affecting or limiting their respective liability or the lien of any security instrument; and (c) agree that Holder, in order to enforce payment of this Note against any of them, shall not be required first to institute any suit or to exhaust any of its remedies Maker (or any co-maker) or against any other person liable for payment hereof or to attempt to realize on any collateral for this Note.

MAKER WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY ACTION, WHETHER ARISING IN CONTRACT OR TORT, BY STATUTE OR OTHERWISE, IN ANY WAY RELATED TO THIS NOTE. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER'S EXTENDING CREDIT TO MAKER AND NO WAIVER OR LIMITATION OF HOLDER'S RIGHTS UNDER THIS PARAGRAPH SHALL BE EFFECTIVE UNLESS IN WRITING AND MANUALLY SIGNED ON HOLDER'S BEHALF.

IN WITNESS WHEREOF, Maker has executed this Note as of the day and year first above written.

MAKER:

_____, a
Florida [corporation] [limited liability company]
[sole proprietor]

By: _____
Name: _____
Title: _____

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me this ___ day of _____, 20__, by _____, as _____ of _____, a Florida [corporation][limited liability company] [sole proprietor]. He/she is personally known to me or has produced _____ as identification.

(Signature of Notary Public)

(Typed name of Notary Public)
Notary Public, State of Florida
Commission No. _____
My commission expires: _____