

AGENDA



3:00 P.M.

CITY COUNCIL MEETING

MONDAY, APRIL 28, 2025

NOTES:

- Meeting room is wheelchair accessible. American Disabilities Act (ADA) accommodations are available upon request. Please phone 928-282-3113 at least two (2) business days in advance.
- City Council Meeting Agenda Packets are available on the City's website at:

www.SedonaAZ.gov

THE MEETING CAN BE VIEWED
LIVE ON THE CITY'S WEBSITE AT
WWW.SEDONAAZ.GOV OR ON
CABLE CHANNEL 4.

GUIDELINES FOR PUBLIC COMMENT

PURPOSE:

There will be no Public Forum or Public Comment, as the purpose of this meeting is a continuation of this item where public comments were heard on April 22, 2025.

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

2. ROLL CALL

3. SPECIAL BUSINESS

LINK TO DOCUMENT =

- a. Discussion and consultation with the City Attorney for legal advice and to consider the City's position and instruct its attorneys regarding contracts that are the subject of negotiations regarding Villas on Shelby ground lease agreement, declaration, deed of trust, and promissory note with Villas on Shelby, LLC (HS Development Partners, LLC) at 2250 Shelby Dr., Sedona, Arizona. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(3) & (4).
- b. AB 3210 Discussion/possible action regarding approval of a Resolution approving the Ground Lease with Villas on Shelby, LLC (HS Development Partners, LLC) for the Villas on Shelby Affordable Housing Project.
- c. Discussion/possible action regarding ideas for future meetings/agenda items.

4. EXECUTIVE SESSION

Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. To consult with legal counsel for advice regarding matters listed on this agenda per A.R.S. § 38-431.03(A)(3).
- b. Return to open session. Discussion/possible action regarding executive session items.

5. ADJOURNMENT

Posted: 04/25/2025

By: MG

JoAnne Cook, CMC, City Clerk

Note: Pursuant to A.R.S. § 38-431.02(B) notice is hereby given to the members of the City Council and to the general public that the Council will hold the above open meeting. Members of the City Council will attend either in person or by telephone, video, or internet communications. The Council may vote to go into executive session on any agenda item, pursuant to A.R.S. § 38-431.03(A)(3) and (4) for discussion and consultation for legal advice with the City Attorney. Because various other commissions, committees and/or boards may speak at Council meetings, notice is also given that a quorum of members of these other City commissions, boards, or committees may be in attendance.

A copy of the packet with material relating to the agenda items is typically available for review by the public in the Clerk's office after 1:00 p.m. the Thursday prior to the Council meeting and on the City's website at www.SedonaAZ.gov. The Council Chambers is accessible to people with disabilities, in compliance with the Federal 504 and ADA laws. Those with needs for special typeface print, may request these at the Clerk's Office. All requests should be made forty-eight hours prior to the meeting.

NOTICE TO PARENTS AND LEGAL GUARDIANS: Parents and legal guardians have the right to consent before the City of Sedona makes a video or voice recording of a minor child, pursuant to A.R.S. § 1-602(A)(9). The Sedona City Council meetings are recorded and may be viewed on the City of Sedona website. If you permit your child to attend/participate in a televised City Council meeting, a recording will be made. You may exercise your right not to consent by not allowing your child to attend/participate in the meeting.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.



CITY COUNCIL AGENDA BILL

AB 3210
April 28, 2025
Special Business

Agenda Item: 3b

Proposed Action & Subject: Discussion/possible action regarding approval of a Resolution approving the Ground Lease with Villas on Shelby, LLC (HS Development Partners, LLC) for the Villas on Shelby Affordable Housing Project.

Department	CD / Housing - Jeanne Blum
Time to Present	15 minutes
Total Time for Item	30 minutes
Other Council Meetings	March 28, 2023; December 12, 2023; May 28, 2024; April 22, 2025
Exhibits	A. Resolution and Ground Lease B. Land Use Restriction Agreement ("Declaration") C. Promissory Note D. Deed of Trust

Finance Approval	Reviewed 4/9/25 BGW	
City Attorney Approval	Reviewed 4/25/25 KWC	Expenditure Required
		\$ 2,250,000 (loan) \$312, 245.41 (fees)
City Manager's Recommendation	Recommend approval subject to City Attorney's final review of documents ABS 4/14/25	Amount Budgeted
		\$ 2,250,000 Account No. 12-0000-00-1500 (Description) Long Term Loans Receivable 22-5340-89-68K2 Affordable Housing Projects
SUMMARY STATEMENT		

Update:

On April 22, 2025, City Council met to review lease documents for The Villas on Shelby development. Due to ongoing negotiations with bond attorneys, tax credit investors, HS Development Partners, LLC and the City of Sedona, Council voted to continue the item to April 28, 2025, to allow time for City review of updated documents. **Final versions of the Ground**

Lease, Promissory Note, Deed of Trust, and Land Use Restriction Agreement ("Declaration") are now complete and attached as Exhibits.

Background:

Housing affordability remains a pressing issue in Sedona, with only 4.7% of the city's housing stock made up of traditional apartments. The 2020 Sedona Housing Needs Assessment and 2021 Verde Valley Housing Needs Assessment identified a shortfall of at least 1,620 affordable units in Sedona and 3,700 across the region by 2026. Nearly 43% of households are housing cost-burdened, and over 70% of Sedona's workforce commutes from outside the city.

To address this need, the City purchased 2250 Shelby Drive in December 2022—a strategically located parcel within the Sunset Community Focus Area—and partnered with The Villas on Shelby, LLC to develop a 30-unit affordable apartment project. All units will serve households earning at or below 60% AMI.

Project Overview

Originally proposed as a 9% LIHTC project, The Villas on Shelby was restructured as a 4% LIHTC tax-credit, bond transaction after not receiving a 9% award due to statewide competition. This change introduced greater financial complexity, requiring multiple coordinated funding sources and legal compliance across federal, state, and local levels.

Project funding includes: \$2.25M City loan; \$5M Arizona Department of Housing loan; \$8M in Tax-Exempt Bonds; \$7.525M Construction loan; \$1.365M Permanent Loan.

The project secured Volume Cap in January 2025 after an initial statewide shortage—a major milestone that now allows financial closing to proceed, as City building permits were issued on April 16, 2025. The developer successfully negotiated to include covered parking at no cost to the City.

In alignment with the City's Design Incentives and Guidelines for Affordable Housing (DIGAH) Policy, staff is requesting City Council approval to support the project by waiving Plan Review and Building Permit Fees totaling \$18,924.26 and paying Development Impact Fees totaling \$312,245.41. The combined value of these fees is \$331,169.71, with staff requesting an allocation of \$312,245.41 from the Affordable Housing Fund budget line to support project feasibility.

This request was not included in the Development Agreement approved by City Council on May 28, 2024 and is now presented as a standalone action to further advance the City's affordable housing goals.

Lease Agreement:

The updated Ground Lease includes:

- ~~7599~~-year term with upfront \$50,000 and \$1,200 annual lease payment (3% annual increase)

- City's right of first refusal post-compliance period per IRC§42(i)(7)
- Revised purchase options: FMV after year 15 or total debt/tax balance
- Project affordability maintained for 30 years per Ground Lease.

The City loan will be repaid from project cash flow and is fully due by year 30 if not repaid earlier. Ground Lease, Promissory Note, Deed of Trust, and LURA are attached as Exhibits.

Housing Staff Recommendation:

Housing Staff recommend approval of the Ground Lease Agreement between the City of Sedona and The Villas on Shelby, LLC to support a 30-unit affordable housing project at 2250 Shelby Drive. The lease meets IRC §42 LIHTC requirements and supports investor compliance. In line with the City's Design Incentives and Guidelines for Affordable Housing (DIGAH) Policy, staff also recommend a) waiving \$18,924.26 in Plan Review and Building Permit Fees, and b) allocating \$312,245.41 from the Affordable Housing Fund to cover Wastewater and Development Impact Fees. These contributions, totaling \$331,169.71, are essential to project feasibility and long-term affordability.

Climate Action Plan/Sustainability Consistent: ☒Yes - ☐No - ☐Not Applicable

The Villas on Shelby project advances Sedona's Sustainable Community goals by fostering a walkable, bikeable neighborhood with access to local businesses and recreational amenities.

Board/Commission Recommendation: ☐Applicable - ☒Not Applicable

Alternative(s): City Council may choose not to approve the Ground Lease, which could hinder efforts to address Sedona's urgent need for affordable housing and delay development at 2250 Shelby Drive.

MOTION

I move to: __approve Resolution 2025-____, approving the Ground Lease Agreement, Land Use Restriction Agreement, Deed of Trust, and Promissory Note with The Villas on Shelby, LLC, for the development of a 30-unit LIHTC affordable housing project at 2250 Shelby Drive.

__waive, in accordance with the City's DIGAH policy, Plan Review and Building Permit Fees in the amount of \$18,924.26 and to allocate \$312,245.41 from the Affordable Housing Fund to pay the Wastewater Capacity Fees and Development Impact Fees for the Villas on Shelby Affordable Housing project.

RESOLUTION NO. 2025-__

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SEDONA, ARIZONA, AUTHORIZING THE LEASING OF CERTAIN REAL PROPERTY OWNED BY THE CITY OF SEDONA TO VILLAS ON SHELBY, LLC; AUTHORIZING AND DIRECTING THE MAYOR, CITY MANAGER AND CITY ATTORNEY TO PERFORM ALL ACTS NECESSARY TO EFFECTUATE THE LEASE.

WHEREAS, on October 23, 2012, the Mayor and Council of the City of Seona adopted Resolution No. 2012-21 establishing a Housing Development Area to combat the shortage of affordable housing; and

WHEREAS, the City of Sedona owns certain real property within the Housing Development Area known as 2250 Shelby Dr., Yavapai County APN 408-28-103F and legally described in Exhibit A to the Ground Lease attached hereto (the "Property"); and

WHEREAS, the City desires to enter into a Ground Lease for a period of ~~75~~99 years with Villas on Shelby, LLC to lease the property for the construction and operation of 30 affordable housing units for a minimum period of 30 years as required by the Land Use Restriction Agreement; and

WHEREAS, the City desires to loan the Villas on Shelby, LLC, \$2.25million at 5.83% compounded annually for a term of 30 years (the "Loan") as outlined in the Promissory Note and secured by the Deed of Trust.

THEREFORE BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF SEDONA, ARIZONA, as follows:

Section 1. The recitals above are hereby incorporated as if fully set forth here.

Section 2. That the various City officers and employees are authorized and directed to perform all acts necessary or desirable to give effect to this Resolution and enter into the Ground Lease, Land Use Restriction Agreement, Promissory Note and Deed of Trust with Villas on Shelby, LLC to lease the Property and provide the Loan.

APPROVED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona this 28th day of April 2025.

Scott M. Jablow, Mayor

ATTEST:

JoAnne Cook, City Clerk

APPROVED AS TO FORM:

Kurt W. Christianson, City Attorney

Exhibit A to Resolution
Ground Lease with Villas on Shelby, LLC
(see attached)

GROUND LEASE
BETWEEN
CITY OF SEDONA, ARIZONA
as “Landlord”
and
THE VILLAS ON SHELBY, LLC
as “Tenant”
For

located at 2250 Shelby Drive,
City of Sedona, Yavapai County, Arizona
the “Property”

Dated as of _____, 2025

GROUND LEASE

THIS GROUND LEASE (“**Lease**”) is made and entered into as of the 1st day of _____, 2025 (the “**Effective Date**”), by and between **THE CITY OF SEDONA, ARIZONA**, whose mailing address is 102 Roadrunner Drive, Sedona, Arizona 86336 (“**Landlord**” or “**City**”), and **THE VILLAS ON SHELBY, LLC**, an Ohio limited liability company, whose mailing address is _____ (“**Tenant**”). Landlord is the owner of the Premises (as defined herein) which Landlord desires to lease to Tenant and Tenant desires to lease from Landlord. Landlord and Tenant are referred to herein individually as a “**Party**” and collectively as the “**Parties**.” The Parties, intending to be legally bound, agree as follows:

RECITALS

A. Landlord is the owner of certain real property, situated in the County of Yavapai, State of Arizona, more particularly described on attached Exhibit A (the “**Property**”) together with all rights appurtenant thereto and any Improvements (as defined herein) now or hereafter constructed on the Property (the “**Premises**”).

B. The Premises are located in the City’s Housing Development Area as declared in Resolution 2012-21 and this Lease is entered into under the authority of A.R.S. §9-441 et seq., which declares municipal assistance in providing for the acquisition, construction or rehabilitation of housing a valid public purpose and authorizes municipalities to use its monies to aid the planning, undertaking and carrying out of housing development projects and authorizes the City the powers listed in A.R.S. §9-441.02.

C. Tenant desires to lease the Premises from Landlord, and Landlord desires to lease the Premises to Tenant upon Tenant’s timely and complete performance of the material the terms and conditions herein.

D. This Lease is entered into in conjunction with Tenant’s goal of establishing and preserving Sedona’s affordable housing.

E. The development of the Property contemplated by this Lease is in the vital and best interests of establishing Sedona affordable housing.

F. The Parties desire that Tenant will construct, maintain, and operate an affordable housing rental project comprised of thirty (30) residential rental units, and other ancillary amenities and improvements (the “**Improvements**”) necessary for use of the Premises and as an affordable, multi-family, rental housing project (the “**Project**”) in accordance with that certain Land Use Restriction Agreement (in the form attached hereto as Exhibit C), which shall have an extended use term of no longer than 30-years from completion of the Improvements, entered into as of _____ 1, 2025 (the “**Declaration**”), by and between Landlord and Tenant, which requires the Premises to be used to further the public purpose of increasing the supply of quality housing options for its citizens through causing the Premises to be developed as an affordable residential apartment development. Tenant shall not use the Premises for any other purposes than the Project.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, incorporated herein by this reference, the rent, covenants and agreements contained in this Lease and subject to the terms hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord, and the Parties hereby covenant and agree as follows:

ARTICLE 1
TERM; PROJECT ENTITLEMENTS

Section 1.01. Lease Term. The Lease Term shall commence on the Commencement Date and unless sooner terminated pursuant to another provision of this Lease, shall expire and terminate at 11:59 p.m., on the ~~seventy-fifth~~ninety-ninth (99~~75~~th) anniversary of the Commencement Date (the “**Term**,” or the “**Lease Term**”); where the “**Commencement Date**” shall be _____, 2025. After the Commencement Date, either Party may request that the other Party countersign a written statement memorializing the Commencement Date and the non-requesting Party shall execute and return the same without unreasonable delay or condition.

Section 1.02. Due Diligence; Project Entitlements.

(a) Due Diligence; Condition of the Property. Prior to the Effective Date, Landlord provided Tenant with reasonable access to the Property and Tenant acknowledges that it has sufficiently examined the Property, is familiar with the physical condition, zoning, status of title, restrictive covenants, and use that may be made of the Property and every other matter or thing affecting or related to the Property, and is leasing the same in its “AS IS” condition existing on the Effective Date, without any representation or warranty, express or implied in fact or by law, by Landlord and without recourse to Landlord, as to title thereto, the nature, condition, or usability thereof or the use or uses to which the Premises or any part thereof may be put. Landlord shall not be required to furnish any services or facilities or to make any repairs or alterations in or to the Premises or to provide any on- or off-site improvements, such as utilities or paving, or other forms of access to the Premises, other than what may already exist on the Commencement Date, throughout the Term.

From and after the Commencement Date and during the Lease Term, Tenant hereby assumes the full and sole responsibility for the condition, construction, operation, repair, restoration, demolition, replacement, maintenance, and management of the Premises, Improvements and Project, including but not limited to the performance of all burdens running with the land, except that the parties acknowledge that Tenant shall have no liability for environmental conditions existing on the Premises prior to the date that Tenant is granted possession of the Premises, except to the extent aggravated or exacerbated thereafter.

(b) Project Entitlements. As of the Effective Date, Tenant agrees that it has obtained or will obtain during construction all necessary and desirable approvals from City and all other applicable governmental authorities, quasi-governmental authorities, and/or utility providers and regulators (collectively, “**Governmental Authorities**”) in form and with stipulations reasonably acceptable to Tenant and approved by Landlord, which may include, without limitation, zoning, final site plan approval, service provider and utility approvals, storm water drainage, building permits (or a permit-ready letter conditioned solely upon payment of fees), development agreements and any other governmental and regulatory approvals or permits (collectively, the “**Project Entitlements**”) required in connection with the construction and development of the Improvements.

(c) Landlord’s Approval and Cooperation. Landlord shall reasonably cooperate with Tenant, at Tenant’s sole expense, in Tenant’s efforts related to the Project Entitlements, if necessary, subject to the following:

(i) Landlord shall approve the creation of easements and reasonably cooperate with applications for all zoning-related stipulations on the Premises and the grant of other property interests in the Premises, including without limitation, public utility easements, sidewalk and landscaping easements and utility easements (collectively, “**Easement Interests**”), reasonably necessary to Tenant’s development of and use of the Improvements as permitted in this Lease, or

required by the Project Entitlements. Except as expressly provided otherwise in this Lease, without Landlord's prior written approval, which may be given or withheld in Landlord's reasonable discretion, no lien, charge or encumbrance shall be asserted against or imposed upon the Premises as a result of any Project Entitlements. Following Landlord's approval of any Easement Interests, Landlord shall timely execute any and all easements, consents, and other documents, reasonably requested by Tenant in connection with such Easement Interests.

(ii) Tenant will be responsible for payment of any cost, charge, expense or liability whatsoever in connection with the Project Entitlements and Tenant's financial obligations with respect to the Project Entitlements shall survive expiration or sooner termination of this Lease.

(iii) Tenant shall promptly furnish to Landlord copies of all applications and materials submitted, filed or received in connection with the Project Entitlements, all notices of public hearings and continuances thereof, all staff reports and recommendations (including conditions and stipulations), and all written opposition to the Project Entitlements, to or received from any Governmental Authorities in connection with the Project Entitlements.

(iv) Tenant shall inform Landlord of all commission, council and other meetings or hearings with respect to the Project Entitlements and Landlord shall be permitted to attend the same.

(v) Tenant acknowledges that City may impose certain stipulations or conditions on the Project Entitlements, and that during the Lease Term, Landlord will not be responsible for satisfying such stipulations except to the extent provided in this Lease.

Tenant agrees to indemnify, defend and hold harmless Landlord for, from, and against any and all out-of-pocket losses, costs, liabilities, causes of action, damages or expenses arising out of or in connection with any breach by Tenant of the agreements made by Tenant in this Section 1.03(c), and this indemnity shall survive expiration or sooner termination of this Lease.

ARTICLE 2 RENT

Section 2.01. Rent. Tenant will pay to Landlord the sum of FIFTY THOUSAND DOLLARS (\$50,000) ("**Base Rent**") as rent for the Premises. The Base Rent will be paid in full at the time of the Commencement Date. Annually thereafter, Tenant shall pay, without notice and free from all claims, deductions or set-offs, annual rent in the amount of ONE THOUSAND TWELVE HUNDRED DOLLARS (\$1,200) ("**Additional Rent**"). The Additional Rent will increase during the Lease Term by three percent (3%) annually on each anniversary of the Commencement Date. The Parties each hereby represents that it believes that, taking into account the restrictions to be placed on the use of the Premises, the Declaration and the other obligations assumed by Tenant in connection with the construction and ownership of the Improvements, the Base Rent and Additional Rent provided for herein constitutes fair market rent for the Lease Term under the circumstances including the Declaration and 60% AMI restriction. ~~Notwithstanding anything to the contrary in this Lease, if upon the expiration of the Declaration or if the 60% AMI LIHTC restriction is for any reason removed from the Premises, Project, or Improvements, the Additional Rent shall become fair market rent, as determined by an MAI appraiser selected by the Landlord and reasonably acceptable to the Tenant, for remainder of the Lease Term.~~

Section 2.02. Other Tenant Costs and Charges. Except as expressly provided otherwise herein, the Base Rent and Additional Rent payable under this **Article 2** shall be absolutely net to Landlord free of any charges, assessments, impositions or deductions of any kind and without abatement, deduction or set-off whatsoever. Unless otherwise expressly provided herein, Tenant shall pay all costs, charges and

expenses of every kind and nature whatsoever relating to the Premises, which may arise or become due or payable prior to, during or after (but attributable to a period falling within) the Lease Term, whether now existing or hereafter arising, or whether beyond the present contemplation of the Parties. Except as specifically set forth herein, the obligations of Tenant (including but not limited to the obligation to pay Base Rent or any Additional Rent) hereunder shall not be affected by reason of: any damage to or destruction of the Premises or any part thereof, any taking of the Premises or any part thereof or interest therein by condemnation or otherwise, any prohibition, limitation, restriction or prevention of or interference with Tenant's use, occupancy or enjoyment of the Premises or any part thereof any action of any governmental authority. Landlord will not make any expenditure in connection with the Premises, Improvements or Project, and all costs, expenses and obligation of every kind relating to the Premises, Improvements and Project, which may arise or come due during the Lease Term will be the obligation of the Tenant.

ARTICLE 3 PAYMENT OF IMPOSITIONS

Section 3.01. Payment of Impositions. Tenant shall directly pay, when due and payable, subject to the terms and conditions of this **Article 3**, all real property taxes, assessments, water and sewer rates and charges, and other governmental charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever, together with any interest or penalties imposed upon the late payment thereof as a result of Tenant's breach of its obligations in this **Article 3** (all of the foregoing are hereinafter referred to collectively as "**Impositions**"), that are assessed, levied, imposed or become a lien upon the Premises and the sidewalks or streets in front of or adjoining the Premises (and are the obligation of Landlord), or become payable, during the Lease Term; provided, however, that if, by law, any such Imposition may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and shall pay only such installments as may become due during the Lease Term as the same respectively become due; and provided, further, that any Imposition relating to a fiscal period of the taxing authority, a part of which period is included within the Lease Term and a part of which is included in a period of time after the expiration or sooner termination of this Lease, other than a termination of this Lease pursuant to Article 15 below, shall (whether or not such Imposition shall be assessed, levied, imposed or become a lien upon the Premises, or shall become payable, during the Lease Term) be adjusted between the Parties as of the expiration of the Lease Term, so that Landlord shall pay that portion of such Imposition that relates to that part of the fiscal period after the expiration or sooner termination of this Lease, and Tenant shall pay that portion of which relates to the period prior to the expiration or sooner termination of this Lease.

Section 3.02. Notice of Impositions. Landlord shall deliver to Tenant, promptly after Landlord's receipt, but in any event, at least thirty (30) days prior to due date (or with sufficient time to challenge in the case of property tax valuation notices), notice of any and all Impositions delivered to Landlord and not to Tenant. Tenant shall, upon written request of Landlord, furnish to Landlord for inspection by it within sixty (60) days after the date when any Imposition is payable, official receipts of the appropriate taxing authority, or other evidence satisfactory to Landlord, evidencing the payment of such Imposition.

Section 3.03. Contest of Impositions. Tenant, at its sole cost and expense, shall have the right to contest the amount or validity, or to seek a refund, in whole or in part, of any Imposition by appropriate proceedings, provided that (a) nonpayment will not subject the Premises or any part thereof to any lien, sale or other liability by reason of such nonpayment, (b) such contest shall not subject Landlord to the risk of any criminal or civil liability, and (c) if such Imposition must be paid pursuant to any applicable statute, ordinance, regulation or rule as a condition to such contest, Tenant shall timely pay such Imposition.

Notwithstanding the provisions of Section 3.01 above, such contest shall not be deemed or construed in any way as relieving, modifying or extending Tenant's covenants to pay any such Imposition at the time and in the manner as provided in this **Article 3** unless Tenant shall have either paid such Impositions, if payment is a condition to such contest, or deposited with Landlord or a bank or trust company designated by Landlord, as security for the payment of such Imposition, money or a corporate surety bond or other security acceptable to Landlord in the amount so contested and unpaid, together with the estimated amount of all interest and penalties in connection therewith and all charges that may or might be assessed against or become a charge on the Premises and/or Improvements or any part thereof in the proceedings, whereupon Tenant may postpone or defer payment of such Imposition. Upon the termination of such proceedings, Tenant shall pay the amount of such Imposition or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties or other liabilities in connection therewith, and, if applicable, upon such payment Landlord shall return, or cause such bank or trust company to return, the amount above referred to without interest. Landlord agrees to join in any property tax related challenge, if requested by Tenant, and, Landlord agrees not to unreasonably withhold its consent to joining in any other such proceedings or permitting the same to be brought in its name. Landlord shall not ultimately be subjected to any liability for the payment of any costs or expenses in connection with any such proceeding, and Tenant agrees to indemnify, defend, save and hold harmless Landlord from any such costs or expenses. Tenant shall be entitled promptly to any refund of any such Imposition received by Landlord and penalties or interest thereon that have been paid by Tenant, or that have been paid by Landlord and for which Landlord has been fully reimbursed. Notwithstanding anything contained herein to the contrary, during any Event of Default, Tenant shall not commence any proceeding pursuant to this Section without Landlord's prior written consent.

Section 3.04. Proof of Payment of Impositions. The certificate, advice or bill of the appropriate official designated by law to make or issue or to receive payment of any Imposition, of non-payment thereof, shall be prima facie evidence that such Imposition is due and unpaid at the time of the making or issuance of such certificate, advice or bill.

ARTICLE 4 INSURANCE

Section 4.01. Insurance to be Maintained by Tenant. Tenant shall maintain at its expense throughout the Lease Term the insurance specified in the Permitted Leasehold Mortgage and the Loan Agreement dated as of _____ 1, 2025, by and between Arizona Industrial Development Authority and Tenant, and all other documents and instruments executed and delivered in connection with the loan of the proceeds of the Bonds (as hereinafter defined) (the "**Loan Documents**"). Tenant shall fully comply with all of the insurance requirements imposed upon Tenant under each Permitted Leasehold Mortgage (as hereinafter defined) and the Loan Documents. All insurance coverages shall have waiver of subrogation provisions reasonably acceptable to the Parties. Approval, disapproval or failure to act by Landlord regarding any insurance applied by Tenant shall not relieve Tenant of full responsibility or liability for damages or accidents as set forth in this Lease. Neither shall the bankruptcy, insolvency or denial of liability by the insurance company exonerate Tenant from any such liability.

Section 4.02. Tenant's Insurance Obligations. At all times during the Lease Term, at its sole cost and expense, Tenant shall keep the Improvements insured against:

(a) Actual replacement cost coverage for loss or damage by fire, and such other risks including, without limitation, boiler and machinery, building ordinance and demolition, vandalism and malicious mischief coverage, in an amount not less than the then full insurable value of the Improvements;

(b) claims for bodily injury or property damage, under a policy of commercial general liability insurance, with such limits to be not less than One Million Dollars (\$1,000,000) for any one (1) person and Two Million Dollars (\$2,000,000) for any one (1) occurrence in respect of bodily injury or death, Two Million Dollars (\$2,000,000) for property damage, Two Million Dollars (\$2,000,000) for products and completed operations aggregate and Two Million Dollars (\$2,000,000) general aggregate, Two Million Dollars (\$2,000,000) for alcohol/dramshop liability. Tenant shall further keep in place an umbrella commercial general liability insurance policy in a form reasonably approved by Landlord with a coverage amount of not less than Five Million Dollars (\$5,000,000.00). Landlord may from time to time during the Lease Term (but not more often than once each five years) request by written notice that Tenant review and adjust the amounts of such coverages (but not below the minimums herein specified), as may be necessary, in Tenant's reasonable discretion, to reflect changes in the use of the Premises and to maintain a commercially reasonable level of coverage; and

(c) actual replacement cost of the Improvements (excluding foundation and excavation costs) and the actual replacement cost shall be determined by an architect, appraiser, appraisal company or one of the insurers selected by Tenant and approved by Landlord, which determination shall be made no less frequently than once every five (5) years or upon completion of any commercially significant remodeling or redevelopment of the Premises.

Section 4.03. Builder's Risk Coverage. During any construction on or about the Premises, Tenant (or its contractor) shall maintain in force until completion of the work. Builder's Risk insurance, including vandalism and malicious mischief, covering Improvements in place and all material and equipment at the job site, but excluding contractor's, subcontractor's and construction manager's tools and equipment and property owned by contractors' or subcontractors' employees, equal to the full cost of the Improvements.

Section 4.04. Insurers and Certificates. All insurance contemplated in this **Article 4** (the "**Insurance**") shall be issued by insurers rated at least "A-" by A.M. Best Insurance Service and licensed to do business in the State of Arizona. All Insurance policies shall be nonassessable and shall contain language that (a) any loss shall be payable notwithstanding any act or negligence of Landlord (excluding Landlord's gross negligence or willful misconduct) that might otherwise result in a forfeiture of the Insurance, (b) the insurer waives the right of recovery and/or subrogation against Landlord, (c) the policies are primary and noncontributing with any insurance that may be carried by Landlord. Prior to the Commencement Date and before the expiration or other termination of the existing policy, the original Insurance policies shall be delivered to Landlord. Tenant shall endeavor to deliver to the holder of the expiring original policy, at least ten (10) days prior to the expiration date of any policy, but in any event prior to expiration, the original renewal policy, and certificates thereof shall be delivered as aforesaid. All Insurance policies shall contain a non-cancellation clause except upon ten (10) days prior written notice to each named insured and loss payee.

Section 4.05. Other Insurance Provisions.

(a) Each such policy shall name Tenant as the insured, and shall name as additional insureds thereunder (i) the Landlord, and (ii) any Permitted Leasehold Mortgagee (as hereinafter defined). Landlord's entitlement to proceeds from Tenant's insurance policies is subordinate to the rights of all Permitted Leasehold Mortgagees under all Permitted Leasehold Mortgages. The Insurance required under Sections 4.02 (b) and 4.03, shall name Landlord and the Authority as an additional insured. The Insurance required under Section 4.02(a) shall provide for loss payable solely to Trustee (as defined in Section 14.02) as mortgagee under that certain Senior Permitted Leasehold Mortgage (as hereinafter defined) under a standard or union mortgage clause providing that loss or damage under the policy shall be payable to the mortgagee, as interest may appear, and this insurance, as to the interest of the mortgagee shall not be

invalidated by any act or neglect of the mortgagor or owner of the property nor by any change in the title or ownership of the property. The loss, if any, under the policies referred to in Section 4.02 above, shall be adjusted with the insurance companies and applied to restore the Improvements or applied to the redemption of the Bonds, in accordance with and subject to the provisions of the Senior Permitted Leasehold Mortgage. Tenant may also name its lenders and partners as an additional insured if required under the applicable loan and financing documents and its amended and restated operating agreement.

Section 4.06. Blanket Policy. Nothing in this **Article 4** shall prevent Tenant from providing the Insurance required under Sections 4.02 pursuant to a blanket insurance policy or policies that can cover other properties owned or operated by Tenant, as well as the Premises and the Improvements; provided, however, that any blanket policy shall specify therein or Tenant shall furnish Landlord with a written statement from the insurers specifying the amount of the total insurance allocated to the Improvements, which amount shall be not be less than the amount required to be carried pursuant to Section 4.02 above.

Section 4.07. Waiver of Subrogation. Tenant hereby waives any and all rights of recovery against Landlord or against its officials, officers, directors, partners, members, trustees, and employees, on account of loss or damage to the extent that such loss or damage is insured under any Insurance required to be maintained pursuant to this Lease, except to the extent such loss or damage is caused by the gross negligence or willful misconduct of Landlord. Tenant will, upon obtaining the respective policies of insurance required under this Lease, give notice to the insurance carrier or carriers that the foregoing waiver of subrogation is contained in this Lease and obtain from the respective carriers an endorsement waiving any right of subrogation in favor of the insurer.

ARTICLE 5

LANDLORD'S RIGHT TO PERFORM CERTAIN TENANT'S COVENANTS

Tenant hereby agrees that if, after expiration of the notice and grace periods set forth in Section 15.02 below, it shall fail (i) to pay any Imposition in accordance with the provisions of **Article 3**, (ii) to take out, pay for, maintain or deliver any of the Insurance policies provided for in **Article 4**, or (iii) fail to cause any lien of the character referred to in **Article 12** to be discharged as provided therein, then Landlord may (but shall not be obligated to) and without further notice or demand upon Tenant and without waiving or releasing Tenant from any obligations of Tenant contained in this Lease, (a) pay any Imposition payable by Tenant pursuant to the provisions of **Article 3**, or (b) take out, pay for and maintain any of its Insurance policies provided for in **Article 4**, or (c) discharge any lien of the character referred to in **Article 12**, as provided therein. All reasonable out-of-pocket sums so paid by Landlord, together with interest thereon at the Default Rate from the date of making of such expenditure by Landlord, shall be payable to Landlord on demand, and Tenant covenants to pay any such sum or sums payable by Tenant for Impositions pursuant to **Article 3**, insurance premiums pursuant to **Article 4** and all other charges and expenses of whatsoever nature that Tenant assumes or agrees to pay pursuant to this Lease. Landlord shall have (in addition to any other right or remedy of Landlord provided in this Lease) the same rights and remedies in the event of the non-payment of any such sums by Tenant as in the case of a default by Tenant.

ARTICLE 6

COVENANTS TO MAINTAIN

Throughout the Term, Tenant, at its sole cost and expense, shall keep the Improvements, the Premises and the adjoining sidewalks and curbs, to the extent the same are the responsibility of Landlord, clean and in good condition, subject to reasonable wear and tear, free of accumulations of dirt and rubbish, and shall make all repairs (including, without limitation, interior and exterior, landscaping, heating, ventilating, air conditioning, mechanical, electrical, plumbing, appliances, structural and nonstructural, ordinary and extraordinary, and unforeseen and foreseen) and replacements necessary to maintain the

Premises and the Improvements in condition appropriate for multi-family affordable rental projects located in the greater Sedona area, provided, that, in any event, Tenant shall make all repairs reasonably necessary to avoid any structural damage or injury to the Improvements. All repairs shall be performed in a good and workmanlike manner in compliance with all Applicable Laws, Permits, both as hereinafter defined, and all requirements of applicable Governmental Authorities, any national or local board of fire underwriters or any other body hereafter exercising functions similar to those of any of the foregoing. Landlord shall not be required to furnish any services or facilities or to make any repairs or alterations to the Premises or the Improvements and Tenant hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Premises and the Improvements. Tenant hereby waives and releases all rights now or hereinafter conferred by statute or otherwise which would have the effect of limiting or modifying any of the provisions of this **Article 6**.

ARTICLE 7

COMPLIANCE WITH APPLICABLE LAWS

Section 7.01. Applicable Laws. Tenant shall comply with all laws and ordinances and the orders, rules, regulations and requirements of all federal, state, including to the extent applicable A.R.S. Title 34 relating to the procurement of construction work, materials, and services, and municipal governments that may be applicable to the occupancy and the use of the Premises and the Improvements (collectively, the “**Applicable Laws**”), regardless of whether such compliance is foreseen or unforeseen, ordinary or extraordinary, and regardless of whether presently within the contemplation of the Parties or involving any change of governmental policy or requiring structural or extraordinary repairs, alterations or additions. Tenant shall likewise observe and comply with the requirements of all policies of public liability, fire, and all other policies of Insurance at any time in force with respect to the Improvements. Should a court of competent jurisdiction, the Arizona Attorney General’s Office, or any administrative agency with oversight authority determine that any part of this Lease is contrary to Applicable Laws to the respective responsibilities of the Parties as described herein, this Lease and any part thereto that is in conflict with said Applicable Laws, shall be modified upon mutual agreement of the Parties in order to bring the Lease into full legal compliance.

Section 7.02. Contest of Applicable Laws. Tenant shall have the right to contest by appropriate legal proceedings, without cost or expense to Landlord, the validity or application of any Applicable Law. If by the terms of any such Applicable Law, compliance therewith may legally be held in abeyance pending the prosecution of any such proceeding without the incurrence of a lien, charge or liability of any kind against the Premises or the Improvements or Tenant’s leasehold interest therein and without subjecting Tenant or Landlord to any criminal liability or civil penalty of any nature for failure so to comply therewith, Tenant may postpone compliance therewith until the final determination of any proceedings, provided that all such proceedings shall be prosecuted with all due diligence and dispatch, and if any lien, charge or civil liability is incurred by reason of non-compliance, Tenant may nevertheless make such contest and delay compliance as provided above, provided that Tenant furnishes to Landlord security, reasonably satisfactory to Landlord, against any loss or injury by reason of such non-compliance or delay therein and prosecutes the contest with due diligence. Landlord shall reasonably cooperate with Tenant in the prosecution of any such proceeding provided that (a) such contest will not subject Landlord to the risk of criminal or civil penalty, (b) such contest will not subject the Premises or any part thereof to any Lien, sale or other liability as a result of such contest, and (c) Landlord shall not be subjected to any liability for the payment of any costs or expenses in connection with any such proceeding, and Tenant agrees to indemnify, defend, save and hold harmless Landlord from any such costs or expenses.

ARTICLE 8

DAMAGE TO OR DESTRUCTION OF THE IMPROVEMENTS

Section 8.01. Casualty Repair. Tenant understands and agrees that any loss by theft or otherwise of, or damage to the improvements or Tenant's Personal Property, as hereinafter defined, shall be at the risk of Tenant only, except when such loss or damage is caused directly by the negligence or willful misconduct of Landlord, its agents, or employees. Tenant covenants that in case of damage to or destruction of the Improvements by fire or any other cause, similar or dissimilar, insured or uninsured, it will promptly, at its sole cost and expense, restore, repair, replace or rebuild the Improvements as nearly as possible to the condition, quality and class it was in immediately prior to such damage or destruction, or with such changes or alterations as Tenant shall elect to make in conformity with Article 10 below. Such restoration, repairs, replacement or rebuilding shall be commenced reasonably promptly and prosecuted with reasonable diligence. As long as the Premises is subject to a Permitted Leasehold Mortgagee, Tenant and Trustee (at the direction of Red Stone Servicer, LLC, as controlling person) will have the sole rights to (a) consent to or supervise the restoration of the Premises, and/or (b) control and/or supervise the administration and disbursement of applicable insurance proceeds.

Section 8.02. Insufficient Proceeds. If insurance proceeds, if any, recovered in respect of any insured damage or destruction, less any cost of recovery, shall be insufficient to pay the entire cost of such restoration, repairs, replacement or rebuilding, Tenant shall pay such costs or apply all insurance proceeds to rebuilding the Premises. As long as the Premises is subject to a Permitted Leasehold Mortgagee, proceeds paid from hazard insurance obtained by Tenant must be paid to Trustee to reduce the outstanding amount of the Bonds, unless Trustee provides an election to apply proceeds from hazard insurance to the costs needed to rebuild the Premises. In no event may Landlord receive hazard insurance proceeds until either (i) the Premises is fully restored after damage or destruction, and (ii) the Tenant's obligations under the Permitted Leasehold Mortgage are paid in full. Such insurance proceeds may be applied to the Permitted Leasehold Mortgage in accordance with its terms.

Section 8.03. No Abatement. Tenant's obligation to perform all of its obligations, covenants and agreements herein shall not be affected by any such damage to or destruction of the Improvements.

Section 8.04. Termination of Agreement. This Lease shall not terminate unless the entire principal amount of the Bonds (and the notes issued in connection with the Bond loans) have been repaid, all obligations of the Tenant under the Bond documents have been satisfied and, as long as the Premises is subject to a Permitted Leasehold Mortgagee, the Permitted Leasehold Mortgagee shall have consented to such termination in writing.

ARTICLE 9

CONDEMNATION

Section 9.01. Taking. If all or any portion of the Premises shall be acquired or condemned by eminent domain, condemnation, or similar proceeding for any public or quasi-public use or purpose (a "**Taking**"), with the result that the remaining portion of the Premises cannot be reasonably used for the then current use being made of the Premises, in Tenant's reasonable opinion, then this Lease shall cease and terminate as of the date of title vesting as a result of such proceeding. Subject to the provisions of Section 9.08 hereof, Tenant shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recovered by Tenant in Tenant's own right on account of any and all damage to Tenant's operations or loss of Improvements by reason of the condemnation, and for or on account of any cost or loss to which Tenant might be put in removing Tenant's property from the Premises.

Section 9.02. Condemnation Proceeds. Subject to the provisions of Section 9.08 hereof, in the event of a total Taking or constructive total Taking, the award or awards for such taking, less the costs of the determination and collection of the amount of the award or awards (“**Condemnation Proceeds**”), shall be distributed, subject to the requirements of any lenders, and used in accordance with the applicable Permitted Leasehold Mortgage or applied in order of priority to reduce the outstanding balances of the Secured Obligations (as defined in the Senior Permitted Leasehold Mortgage) and thereafter the secured indebtedness under any other Permitted Leasehold Mortgage, with any remaining balance to Tenant to the extent permitted under the Senior Permitted Leasehold Mortgage, as follows:

(a) first, Tenant shall receive from the Condemnation Proceeds an amount equal to the lesser of (i) the then fair market value of Tenant’s leasehold interest in the Premises, and (ii) the remaining Condemnation Proceeds; and

(b) second, Landlord shall receive the remainder, if any, of the Condemnation Proceeds.

Section 9.03. Partial Taking. Subject to the provisions of Section 9.08 hereof, in the event of a taking that is less than a total Taking or constructive total Taking (a “**Partial Taking**”), this Lease shall not terminate or be affected in any way, except as provided in Section 9.04 below, and the Condemnation Proceeds from a Partial Taking shall be paid to the most senior Permitted Leasehold Mortgagee or a trustee it designates, to be disbursed and used in accordance with the Senior Permitted Leasehold Mortgage or applied in the order of priority to reduce the outstanding balances of the Secured Obligations under the Senior Permitted Leasehold Mortgage and thereafter the secured indebtedness under any other Permitted Leasehold Mortgages and thereafter to Tenant. As long as the Premises is subject to a Permitted Leasehold Mortgagee, if directed by the most Senior Permitted Leasehold Mortgagee, the Tenant shall restore the Improvements on the Premises to its prior condition.

Section 9.04. Repair After Taking. Subject to the provisions of Section 9.08 hereof, in the event of a Partial Taking, Tenant, at its sole cost and expense, and whether or not the Condemnation Proceeds shall be sufficient for the purpose, shall proceed with due diligence to restore, repair, replace or rebuild the remaining part of the Improvements to substantially its former condition or with such changes or alterations as Tenant may elect to make in conformity with **Article 10** below so as to constitute a complete, rentable project. In the event of a Partial Taking, this Lease shall terminate as to the portion of the Premises so taken, so long as all fees paid in connection with a Partial Taking are paid to the most Senior Permitted Leasehold Mortgagee, as trustee, in order to pay the outstanding balances of the Secured Obligations under the Senior Permitted Leasehold Mortgages.

Section 9.05. Temporary Taking. If, at any time during the Lease Term, the whole or any part of the Premises, Tenant’s leasehold estate, or the Improvements shall be Taken in condemnation proceedings or by any right of eminent domain for temporary use or occupancy (a “**Temporary Taking**”) Sections 9.02 through 9.04 shall not apply and Tenant shall continue to perform and observe all terms under this Lease, except only to the extent that Tenant may be prevented from reasonably doing so as a result of the Temporary Taking. In the event of any such Temporary Taking, Tenant shall be entitled to receive the entire amount of the Condemnation Proceeds made for such taking and reasonably apportioned to the Lease Term, whether paid by way of damages, rent or otherwise, subject to the provisions of Section 9.08 hereof. Tenant covenants that, upon the expiration of any such period of temporary use or occupancy, if during the Lease Term, it will, at its sole cost and expense, restore the Improvements, as nearly as may be reasonably possible, to the condition in which the same was immediately prior to such taking, wear and tear during such temporary use or occupancy excepted. To the extent that Landlord receives any portion of the Condemnation Proceeds as compensation for the cost of restoration or repair of the Improvements, Landlord shall, pay all such sums to Tenant as and when the Improvements are restored.

Section 9.06. Allocation of Award. Subject to the provisions of **Article 9** hereof, if the order or decree in any condemnation or similar proceeding shall fail separately to state the amount to be awarded to Landlord and the amount to be awarded to Tenant under the provisions of Section 9.02 or 9.03, above, or the amount of the compensation for the restoration of the Improvements under Sections 9.04 and 9.05, above, and the Parties fail to agree on such allocation within sixty (60) days after the final award or awards have been fixed and determined, the Parties agree that such allocation shall be determined by appraisers as follows:

(a) The Parties shall each appoint an appraiser within ninety (90) days of the date of the final condemnation order. The two appraisers so appointed shall promptly appoint a third appraiser within one hundred twenty (120) days following the date of the final condemnation order. If a Party fails to timely appoint an appraiser, no third appraiser shall be appointed, and the appraiser selected by the other Party shall determine the apportionment within one hundred eighty (180) days of the date of the final condemnation order.

(b) Within forty-five (45) days after the appointment of the third appraiser (if applicable), the two appraisers appointed by the Parties shall each determine and report to the third appraiser the appropriate apportionment. Within ten (10) days thereafter, the third appraiser shall determine which of the two apportionments determined by the appraisers appointed by the Parties is the more appropriate apportionment and the apportionment chosen by the third appraiser shall be final and binding upon the Parties and enforceable by any court of competent jurisdiction.

(c) All appraisers shall be members of the Appraisal Institute (M.A.I.) or, if such Institute shall not then exist, members of its successor organization or an organization of substantially equivalent stature. The fees of the appraisers shall be borne equally by the Parties.

Section 9.07. Right to Participate. Each of Landlord, Trustee and Tenant shall have the right, at its own expense, to appear in any condemnation proceeding and participate in any and all hearings, trials and appeals therein for the purpose of protecting its rights under this Lease and for Tenant to introduce evidence independently of Landlord to establish the value of or damage to the Improvements. Trustee shall also have the right to receive any notices issued regarding the payment of Condemnation Proceeds, a Taking, Partial Taking or Temporary Taking of the Premises.

Section 9.08. Rights of the Parties under the Permitted Leasehold Mortgage. Notwithstanding anything herein to the contrary, for so long as any Permitted Leasehold Mortgage is in effect, the most senior Permitted Leasehold Mortgage shall control the application of all condemnation proceeds relating to the Premises. No parties, other than the Permitted Leasehold Mortgagees, and if no Permitted Leasehold Mortgagee exists, the Landlord, shall have a right to (a) consent to or supervise the restoration of the Premises, or (b) control and/or supervise the administration and disbursement of condemnation awards. In any event, the Permitted Leasehold Mortgagee shall participate in all settlements, adjustments (including adjustments of losses as to proceeds from hazard insurance policies or otherwise).

ARTICLE 10 CONSTRUCTION OF IMPROVEMENTS

Section 10.01. Construction of Improvements.

(a) Tenant shall diligently pursue completion of the Improvements in a sound workmanlike manner in accordance with this Lease and all Project Entitlements, the Declaration, Applicable Laws and Permits. As of the Commencement Date, Tenant expressly assumes all of Landlord's obligations related to the Project Entitlements and Permits.

(b) Tenant shall proceed diligently to obtain, and Landlord shall assist and cooperate with Tenant, without cost or expense to Landlord, in obtaining, all permits, authorizations and approvals required by Governmental Authorities, including without limitation, building permits required for construction of any Improvements (the “**Permits**”).

(c) Tenant shall require the general contractor to secure, pay for, and maintain during the continuance of construction, commercial general liability insurance in an amount not less than Two Million Dollars (\$2,000,000), with additional Umbrella/Excess form of liability coverage in the amount of Four Million Dollars (\$4,000,000), Builder’s Risk insurance with coverage level reasonably acceptable to Landlord based on the anticipated value of the Improvements being covered, and worker’s compensation insurance as required by statutes. All such insurance shall be with a company or companies of recognized responsibility, and certificates evidencing such policies and required endorsements and, upon Landlord’s written request, true copies thereof, issued by the respective insurers shall be delivered to Landlord prior to Commencement of Construction with evidence of the payment of the premiums therefor stamped thereon or other evidence of payment satisfactory to Landlord. Landlord shall be endorsed as an additional insured under the commercial general liability insurance policy and builder’s risk policy. All such policies shall provide that the Parties shall be given ten (10) days’ prior written notice of any alteration or termination of coverage. Additionally, Tenant shall require its architect, civil engineer, and structural engineer (as applicable) to each maintain “errors and omissions” professional liability insurance in at least the amount of Two Million Dollars (\$2,000,000) per claim and Two Million Dollars (\$2,000,000) annual aggregate.

Section 10.02. Alterations. After completion of the Improvements, Tenant shall have the right, at any time and from time to time during the Lease Term, to make any and all Improvements and Alterations (as hereinafter defined) to the Premises as Tenant shall deem necessary or desirable, and without the consent of Landlord, including, provided that such changes and alterations do not: (a) violate the recorded Declaration, (b) do not reduce the number of affordable rental units and (c) do not reduce the total leasable square footage of the affordable rental units. If any of subsections (a) through (c) in the foregoing are not satisfied, Tenant may make Improvements and Alterations to the Premises, with Landlord’s prior written consent, which consent may be withheld in Landlord’s sole discretion. “**Alterations**” means any construction, reconstruction, replacement, expansion, repair or alteration of the Premises, including maintenance and repair which is capitalized rather than expensed pursuant to generally accepted accounting principles.

Section 10.03. As-Built Plans. Upon substantial completion of any Improvements, Tenant shall provide to Landlord (i) one electronic and one paper copy of As-Built drawings and As-Built specifications and (ii) a current, accurate, properly labeled, and certified by a certified surveyor or engineer, “as-built” ALTA survey prepared by an Arizona registered land surveyor or professional engineer depicting to scale the location of the completed improvements, as the same have been Constructed.

Section 10.04. Waste. Tenant shall not commit or suffer any physical waste or damage to the Premises.

Section 10.05. Ownership. The Improvements, any Alterations or other additions thereto, and any Tenant’s Personal Property shall be owned by and title thereto shall be vested in Tenant at all times during the Term until the expiration or sooner termination of this Lease. Tenant alone will be entitled to all of the tax attributes of ownership including, without limitation, the right to claim depreciation or cost recovery deductions and the right to claim the low-income housing tax credits described in Section 42 of the Internal Revenue Code of 1986, as amended (the “**Code**”). Tenant will have the right to amortize capital costs and to claim any other federal or state benefits attributable to the Improvements.

Section 10.06. Additional Approvals. Landlord hereby authorizes, subject to Landlord's prior approval, Tenant to apply for and obtain all necessary and desirable Project Entitlements from Governmental Authorities in connection with any Alterations permitted by this Lease. Landlord shall reasonably cooperate with Tenant, at Tenant's sole expense, in Tenant's efforts to obtain the Project Entitlements and shall, within ten (10) days of Tenant's written request, or sooner if required by a Governmental Authority, execute any and all applications, consents, and other documents reasonably and timely requested by Tenant in connection with the Project Entitlements. Landlord, if necessary, shall be the applicant with respect to the Project Entitlements, but Tenant shall be solely responsible for all application fees, expenses associated with the Project Entitlements. If additional Easement Interests are required in connection with the Alterations, Landlord shall not unreasonably withhold, condition or delay its consent thereto, and upon consent, Landlord shall, within ten (10) days of Tenant's written request, or sooner if required by a Governmental Authority, execute any and all applications, consents, and other documents reasonably and timely requested by Tenant in connection with approved Easement Interests.

ARTICLE 11

LANDLORD OPTION TO PURCHASE

Section 11.01. Purchase Option. Tenant hereby grants the Landlord the right (the "**Purchase Option**"), commencing after the end of the 15-year tax credit compliance period (the "**Compliance Period**") and continuing until the termination or expiration of this Lease, set forth in Section 42 of the Internal Revenue Code (the "**Code**") to purchase the all of the property owned by Tenant, including the Improvements, and Tenant's leasehold interest in the Land, for a price equal to the greater of (i) the fair market value of such property as determined by an MAI Appraiser selected by the Tenant and reasonably acceptable to the Lender and Tenant's investor member, or (ii) the sum of (a) an amount sufficient to pay all outstanding debts secured by the Improvements, and (b) an amount sufficient to pay all taxes attributable to the sale under the Purchase Option by the Tenant. The Landlord shall provide notice to the Tenant and its investor member of its intent to exercise the Purchase Option and shall close such Purchase Option within one hundred eighty (180) days after such notice. The Purchase Option shall terminate if the Improvements are sold to a third party pursuant to Section 11.02 of this Lease and the Landlord, in its sole discretion, has consented to such sale pursuant to this Lease.

Section 11.02. Right of First Refusal. After the end of the Compliance Period, the Landlord, so long as Landlord is a governmental agency pursuant to Section 42(i)(7) of the Code, shall have a right of first refusal (the "**Right of First Refusal**") to purchase the Improvements after receipt by the Tenant of a bona fide offer to purchase, which purchase offer and amount shall be disclosed to the Landlord, from a person not affiliated with the Tenant, for a price equal to the minimum purchase price under Section 42(i)(7)(B) of the Code, as reasonably determined by an MAI appraiser selected by Landlord. Landlord may exercise its Right of First Refusal by giving written notice to Tenant, Tenant's investor member and any Permitted Leasehold Mortgagee within ninety (90) days after receiving written notice of the bona fide third party offer and shall specify a closing date within one hundred eighty (180) days immediately following the date of Landlord's notice. If such Right of First Refusal is not closed within such 180 day period then this Section 11.02 shall terminate and be of no further force and effect. The Right of First Refusal granted under this Section 11.02 is intended to satisfy the requirement of Section 42(i)(7) of the Code and shall be interpreted consistently therewith.

ARTICLE 12 MECHANICS' LIENS

Section 12.01. Mechanics' Liens. Tenant shall pay or cause to be paid the total cost and expenses of the construction of the Improvements, any Alterations thereto, and other Improvements, made during the Lease Term. Tenant shall not suffer or permit any mechanics', vendors', laborers', or materialmen's statutory or similar liens (collectively, "**Mechanics' Liens**") to be filed against the Premises, nor against Tenant's leasehold interest in the Premises, by reason of work, labor, services or materials supplied or claimed to have been supplied to Tenant or anyone holding any interest in the Premises and/or the Improvements or any part thereof through or under Tenant. If any such mechanics' lien shall be filed, Tenant shall, within forty-five (45) days after notice of the filing thereof, cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise; provided, however, that Tenant shall have the right to contest, with due diligence, the validity or amount of any such lien or claimed lien. Subject to the foregoing provisions, if Tenant shall fail to cause such mechanics' lien to be discharged within such 45-day period, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such mechanics' lien by deposit or by bonding proceedings. Nothing contained in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvements, alteration to or repair of the Premises or any part thereof, nor as giving Tenant a right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any mechanics' liens against the Premises. Tenant shall indemnify, defend and hold Landlord harmless for, from and against all liability or loss of any type to the extent arising out of any work, construction or other activity by Tenant or on behalf of Tenant in connection with the Premises, except to the extent caused by the gross negligence or willful misconduct of, or misrepresentation by Landlord. Except as set forth in **Article 14**, Tenant shall not have any right, power or authority to encumber Landlord's fee interest in the Premises.

ARTICLE 13 USE; SURRENDER; INSPECTION

Section 13.01. Use of the Premises. Tenant shall not use or allow the Improvements or any part thereof, or the Premises, to be used or occupied for any purpose not specifically authorized by this Lease. The Premises shall, unless Landlord otherwise gives prior approval in writing, only be used as an affordable housing rental project comprised of thirty (30) multifamily rental units in accordance with the Declaration and the Low Income Housing Tax Credit Program requirements with an average tenant AMI of 60% under Section 42 of the Code. This provision shall be specifically enforceable, and the subject of equitable relief given the unique nature of the real property interests and development thereof as set forth in this Lease.

Section 13.02. Surrender. Upon expiration or sooner termination of this Lease, (a) the Improvements and any Alterations shall become Landlord's property free and clear of all mechanics' liens and claims thereto by Tenant or through Tenant (but excluding, however, Tenant's Personal Property) and Tenant shall, if requested by Landlord, promptly execute a quit claim deed, bill of sale or other instruments reasonably requested by Landlord to confirm ownership in and possession of the Improvements by Landlord; and (b) Tenant shall surrender the Improvements in good order and repair, reasonable wear and tear excepted. Upon such expiration or sooner termination, Tenant shall also deliver to Landlord all non-confidential leases, lease files, plans, records, registers and all other papers and documents that may be necessary or appropriate for the proper operation and management of the Premises and the Improvements. Notwithstanding anything to the contrary herein, Tenant may remove from the Premises any and all of Tenant's Personal Property at any time prior to the expiration or sooner termination of this Lease. For

purposes of this Lease, “**Tenant’s Personal Property**” means any fixtures, inventory, equipment, furniture, vehicles, or other personal property of any type or kind located at or about the Premises which is owned or leased by Tenant or its tenants, agents, employees, contractors, or invitees. Tenant shall restore any damage to the Premises resulting from the removal of Tenant’s Personal Property. Landlord hereby waives any landlord’s lien it might hold, statutory, constitutional, contractual or otherwise, in any personal property owned or leased by Tenant and now or hereafter located on the Property. If so requested by Tenant, Landlord shall execute a waiver of any right, title or interest or right to seize any of Tenant’s personal property on the Property that may be subject to a lien or security interest in favor of a Permitted Leasehold Mortgagee or a seller of Tenant’s personal property or creditor holding a security interest in such personal property.

Section 13.03. Voluntary Surrender. Landlord shall not accept a voluntary surrender of this Lease without the prior written consent of all Permitted Leasehold Mortgagees and of Tenant’s investor member.

Section 13.04. Inspection. Landlord shall have the right to enter into the Premises at reasonable times upon twenty-four (24) hours advance notice (except in the case of an emergency) for the purpose of inspecting the property.

ARTICLE 14 ASSIGNMENT, SUBLETTING, ENCUMBRANCES AND PERMITTED LEASEHOLD MORTGAGES

Section 14.01. Assignment, Subletting and Encumbrances. From time to time during this Lease Term and subject to the Landlord’s fee interest in the Property which in no event shall be subordinated and subject to terms of the Permitted Leasehold Mortgages. In addition to the Permitted Leasehold Mortgages, Tenant will be entitled to mortgage or encumber its leasehold interest (including, without limitation, refinancing of any mortgages entered into in connection with the initial financing of the Improvements) subject to the terms and conditions of this Section 14.01, sublet all or any part of the Premises or assign Tenant’s interest in this Lease without the prior written consent of Landlord, provided that, in the event of any assignment of this Lease or subletting of the Premises (except for residential leases entered into in the ordinary course of business), such assignee or sublessee shall assume, in writing, all of the obligations, promises and covenants imposed upon Tenant hereunder. Landlord further acknowledges that the lenders may require Tenant to execute and deliver various documents that will need to be recorded against Tenant’s interest in this Lease including without limitation, land use restriction agreements, mortgages, deeds of trust, and easements (collectively, the “**Encumbrances**”). If any party requires Landlord’s interest in the Premises be subordinated to such Encumbrances, Landlord will, execute and deliver such documents as are reasonable requested to evidence the same. Landlord represents and warrants that as of the Commencement Date, the Premises is free and clear of all liens and encumbrances except for Permitted Encumbrances (as defined in the Loan Documents) and except as disclosed in the Owner’s Leasehold Title Policy to be dated as of the date of the Commencement Date. During the Lease Term, Landlord shall not transfer, encumber or otherwise dispose of the Premises or any interest therein without the prior written consent of Tenant and the Permitted Leasehold Mortgagees. Any such permitted transfer or encumbrance shall be conditioned upon any transferee or mortgagee acknowledging that so long as Tenant is not in default of its obligations hereunder, this Lease, and the tenancy provided herein, shall continue in full force and effect and Tenant shall be permitted to occupy the Premises under the terms hereof notwithstanding any default by Landlord under said mortgage or any transfer of title to the Premises by foreclosure, deed in lieu of foreclosure, or otherwise. Notwithstanding anything to the contrary contained herein, except for the Permitted Leasehold Mortgages and other encumbrances noted on the title policy disclosed as of the Commencement Date, the Landlord’s consent, not to be unreasonably withheld, shall be required for any refinancing or new Encumbrance of the Land provided that such Consent shall not

be required for any refinancing of the Permitted Leasehold Mortgages, so long as such refinancing is conducted for the sole purpose of loss mitigation or foreclosure prevention, including any refinancing upon redemption or maturity of the existing indebtedness. Any refinance of indebtedness on the Property will be limited to the same amount to which the Landlord originally permitted, and no greater amount without consent of the Land.

Section 14.02. Permitted Leasehold Mortgages.

(a) Landlord acknowledges and agrees that it will not be possible for Tenant to construct the Improvements without obtaining loan or loans from one or more persons or entities in order to finance the construction of said Improvements and the development and operation of the Project. Therefore, Landlord hereby covenants and agrees that, except as provided in Section 14.02(d), **Article 16**, Section 17.02, and Section 21.03, its interest in this Lease is and shall be subject to, subordinate and inferior to loans (interim, permanent, “cash flow”, “soft” or refinancings thereof) obtained by Tenant for the purpose of financing the development and construction of the Improvements, including : 1) the loan of the proceeds of those certain Arizona Industrial Development Authority Multifamily Mortgage Revenue Bonds (Villas on Shelby Project) Series 2025A, 2025B and 2025C (the “**Bonds**”), and the following subordinate loans 2) the second priority non-recourse loan in the original principal amount of \$5,000,000 made by the Arizona Department of Housing, and 3) the third priority non-recourse loan in the original principal amount of \$2,250,000 made by City (“Permitted Leasehold Mortgage(s)” or “Permitted Leasehold Mortgage”), and to the lien of any deed of trust, assignment of leases, security agreements and other security documents or instruments securing any such Permitted Leasehold Mortgage (such deed of trusts, together with assignments of rents and leases, security agreements, and other collateral or security documents or instruments required by the Permitted Leasehold Mortgagee, as hereinafter defined, providing such financing, and all renewals, extensions, modifications, consolidations, replacements, assignments, and refinancings thereof, collectively, each a “**Permitted Leasehold Mortgage**”) and to all advances made or hereafter to be made upon the security of such Permitted Leasehold Mortgage. Landlord shall, at Tenant’s request and expense, join in, execute and/or deliver any and all Permitted Leasehold Mortgage(s) as may be reasonably required by Permitted Leasehold Mortgagee (as hereinafter defined) in order to subject and subordinate Landlord’s interest in this Lease and such other interest as may be set forth in the Permitted Leasehold Mortgage, or to otherwise consent to or facilitate the subordination or encumbrance of Tenant’s interest in this Lease and the Premises, to the lien of the Permitted Leasehold Mortgages, and upon Tenant’s request and expense, Landlord shall join in, execute and/or deliver any and all such Permitted Leasehold Mortgage(s) as any Permitted Leasehold Mortgagee may reasonably deem necessary to evidence or confirm the subordination of this Lease and such other interest as may be set forth in the Permitted Leasehold Mortgage or the encumbrance of Landlord’s interest herein to the lien of any such Permitted Leasehold Mortgage. The Permitted Leasehold Mortgagees’ interest in the Leasehold Mortgages shall not encumber Landlord’s fee interest of the Property.

(b) Landlord hereby acknowledges and agrees that Tenant has entered into that certain Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of _____, 2025 (the “**Senior Permitted Leasehold Mortgage**”) for the benefit of U.S. Bank Trust Company, National Association, as trustee (together with its successors and assigns, the “**Trustee**”) in connection with the issuance of the Bonds, and may, without Landlord’s consent but with notice, assign or mortgage this Lease (including any options it contains) pursuant to any Permitted Leasehold Mortgage for the purposes described in Section 14.02(a) above to a leasehold mortgagee or beneficiary under a leasehold deed of trust (each a “**Permitted Leasehold Mortgage**”). A Permitted Leasehold Mortgagee (and anyone whose title derives from a Permitted Leasehold Mortgagee) may, without Landlord’s consent but with notice, hold a foreclosure sale, take title to this Lease, and transfer or assign this Lease, either in its own name or through a nominee to any party.

(c) Except: (i) as permitted pursuant to Sections 14.02(a) and (b), and (ii) as to the successor to a Permitted Leasehold Mortgagee, neither Tenant nor any successor in interest to the Premises or any part thereof shall engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon Landlord's interest in the Premises, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attached to Landlord's interest in the Premises, except as approved with the prior written consent of Landlord in each instance, which consent may be withheld in Landlord's sole and reasonable discretion (any deed of trust consented to by Landlord, as aforesaid, is also hereinafter referred to singularly as a Permitted Leasehold Mortgage), and except for an inchoate lien for taxes or municipal obligations, utility and access easements, restrictions required by the Code, other encumbrances incurred in the ordinary course of business of Tenant, and the Encumbrances. So long as there is a Permitted Leasehold Mortgage encumbering the Premises, the Landlord shall not mortgage the fee estate of the Premises without the subordination of such mortgage to the Permitted Leasehold Mortgage.

(d) Notwithstanding anything contained herein to the contrary, Landlord shall not be required to suffer, incur, accept or assume any personal liability for any such financing, loans or indebtedness, or any costs or expenses thereof, or any other indebtedness or liability of Tenant thereunder, and any Permitted Leasehold Mortgage and other collateral or security documents or instruments of any nature whatsoever which Landlord may be called upon to join in, execute and/or deliver under and pursuant to this section shall expressly exculpate Landlord from and against any and all such personal liability.

(e) Landlord, by execution of this Lease, consents to Trustee (as Permitted Leasehold Mortgagee), any successor trustee under the Loan Documents, and any of its successors and/or assigns, as the most senior Permitted Leasehold Mortgagee and such deed of trust securing the Bonds as the Senior Permitted Leasehold Mortgage. If this Lease terminates for any reason other than expiration of the Lease Term, then the Landlord must enter into a new lease with the Permitted Leasehold Mortgagee, its nominee or its designee on the same terms and conditions as set forth in the Lease and with a first priority on title.

(f) Estoppel Certificates.

(i) Each party hereto shall, at any time and from time to time within ten (10) days after being requested to do so by the other party and/or any Permitted Leasehold Mortgagee in writing, execute, acknowledge, and address and deliver to the requesting party (or, at the latter's request, to any existing or prospective mortgagee, transferee or other assignee of the requesting party's interest in the Project or under this Lease which acquires such interest in accordance with this Lease) a certificate in recordable form which (a) certifies (i) that this Lease is unmodified and in full force and effect (or, if there has been any modification thereof, that it is in full force and effect as so modified, stating therein the nature of such modification); (ii) that Tenant has accepted possession of the Premises, and the date on which the Lease Term commenced; (iii) as to the dates to which any rent and other charges arising hereunder have been paid; (iv) as to the amount of any prepaid rent or any credit due to Tenant hereunder; (v) as to whether, to the best of such party's knowledge, information and belief, the requesting party is not then in default in performing any of its obligations hereunder (and, if so, specifying the nature of each such default); (vi) that the Landlord consents to the Permitted Leasehold Mortgagee's mortgage loan; (vii) that the liability of the Permitted Leasehold Mortgagee (or its assigns) is limited to such Permitted Leasehold Mortgagee's value of its interest in the Lease; and (viii) as to any other fact or condition reasonably requested by the requesting party; and (b) acknowledge and agrees that any statement contained in such certificate may be relied upon by the requesting party and any such other addressee. Any such certification requested of the Lessor shall be given at the expense of the Tenant.

(ii) Landlord shall promptly, upon request by any Permitted Leasehold Mortgagee, certify in writing that this Lease is in full force and effect, whether this Lease has been amended,

that to Landlord's knowledge Tenant is not in default, and the date through which rent has been paid, or any other item reasonably requested.

ARTICLE 15 DEFAULT; BANKRUPTCY

Section 15.01. Bankruptcy. Subject to the provisions of the Senior Permitted Leasehold Mortgage, Tenant agrees that in the event (a) all or substantially all of Tenant's assets are placed in the hands of a receiver or trustee, and such receivership or trusteeship continues for a period of seven (7) months; or (b) Tenant make an assignment for the benefit of creditors; or (c) Tenant institutes any proceeding under the Federal Bankruptcy Code as the same now exists or under any amendment thereof that may hereafter be enacted, or under any other act relating to the subject of bankruptcy, or to be discharged of its debts, or to effect a plan of liquidation, composition or reorganization, or any involuntary proceeding be filed against Tenant under any such bankruptcy laws and Tenant has failed to assume this Lease in accordance with the provisions of Section 365 of the Bankruptcy Code (11 U.S.C. § 365) within 120 days from the date of filing or within such other period as may be set by the court, this Lease shall be deemed rejected and Tenant shall surrender the Property to Landlord. In such event, in addition to any and all rights or remedies of Landlord under this Lease or as otherwise provided by law and subject to the right of Permitted Leasehold Mortgagees under this Article 15 to assume this Lease, it shall be lawful for Landlord to declare the Lease Term ended and to reenter the Property and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim thereon or hereunder.

Section 15.02. Tenant Default. The occurrence of any of the following, and subject to any applicable Additional Cure Periods (defined in Section 15.05 below), shall constitute a default by Tenant under this Lease: (an "**Event of Default**"):

(i) If Tenant fails to timely pay the Additional Rent or other charges payable by Tenant under this Lease, and if such default continues for a period of thirty (30) days after written notice from Landlord to Tenant and all Permitted Leasehold Mortgagees, or

(ii) If Tenant be in default or breach in the prompt and full performance of any other of its material promises, covenants or agreements contained in this Lease and should such default or breach of performance continue for more than sixty (60) days, after written notice thereof from Landlord to Tenant and all Permitted Leasehold Mortgagees specifying the particulars of such default or breach of performance and passage of any applicable cure period provided herein.

(a) **Tenant Default Remedies.** Upon the occurrence of an Event of Default, Landlord may, in addition to all remedies at law and in equity, exercise any one (1) or more of the following remedies concurrently or in succession.

(i) Terminate Tenant's right to possession of the Premises by legal process or otherwise, and retake exclusive possession of the Premises with or without termination of this Lease;

(ii) Waive the Event of Default, in which case this Lease shall continue in full force and effect; provided, however, that no such waiver shall be deemed to be a permanent waiver of such default or similar default unless agreed otherwise in writing (nonetheless, Landlord shall be required to provide Tenant written notice of any continued or subsequent default pursuant to this **Article 15** prior to exercising its rights and remedies in this Section in connection therewith);

(iii) Negotiate in good faith with Tenant to amend this Lease or enter into a separate written accord to satisfy Landlord in lieu of Tenant curing the Event of Default; if the negotiations are unsuccessful, Landlord shall not be deemed to have waived its rights under Subsection (d) below;

(iv) From time to time recover unpaid damages arising from Tenant's breach of this Lease;

(v) Recover all costs, expenses and attorneys' fees (including without limitation litigation expenses, expert witness fees, and service of process fees) incurred by Landlord in connection with enforcing this Lease, recovering possession, or collecting amounts owed;

(vi) Perform any obligation on Tenant's behalf in accordance with **Article 5**; or,

(vii) Seek injunctive relief, including, if applicable, a mandatory injunction and/or specific performance; and/or

(viii) Pursue any other remedies expressly provided to Landlord in this Lease.

Notwithstanding the foregoing, if Landlord elects any one or more remedies granted above, Landlord shall have the right to elect one or more other remedies at any time or times thereafter. No action of Landlord shall be construed as an election to terminate this Lease unless written notice of such intention is given by Landlord to Tenant

Section 15.03. Interest on Unpaid Rent. Additional Rent and other sums payable by Tenant under this Lease which are not paid when due shall bear interest from the date due until paid at the Default Rate as hereinafter defined.

Section 15.04. Waiver. No failure by Tenant or Landlord to insist upon the strict performance of any provision of this Lease or to exercise any right or remedy, and no acceptance of partial payment during the continuance of any default, shall constitute a waiver of any such default or of such provision. No provision of this Lease to be performed or observed by either of the Parties, and no Event of Default thereof shall be waived, altered or modified except by written instrument executed by the Parties. No waiver of any default shall affect or alter this Lease but each and every provision of this Lease shall remain and continue in full force and effect with respect to any other existing or subsequent Event of Default.

Section 15.05. Notice to Tenant; Grace Period; Notice and Opportunity to Cure. Anything in this Lease to the contrary notwithstanding, if an Event of Default occurs Landlord shall not exercise any right or remedy on account thereof which it holds under this Lease or applicable law unless and until Landlord provides notice and an opportunity to cure as follows: (a) Landlord shall so notify Tenant, Tenant's investor member, and all Permitted Leasehold Mortgagees, each of whom shall have the right to cure such Event of Default, and (b) Landlord shall not terminate this Lease upon an Event of Default unless and until Landlord has given Tenant, all of its members and all Permitted Leasehold Mortgagees notice of such Event of Default and sixty (60) days to cure such Event of Default ("**Additional Cure Period**"). If it cannot be reasonably cured within sixty (60) days, then Tenant and each Permitted Leasehold Mortgagee shall have such additional time as it shall reasonably require, so long as Tenant and/or any Permitted Leasehold Mortgagee is proceeding with reasonable diligence. For any Event of Default that cannot be cured without possession of the Premises, Landlord shall allow such additional time as Permitted Leasehold Mortgagees shall reasonably require to prosecute and complete a foreclosure or equivalent proceeding and obtain such possession including time to obtain relief from a bankruptcy stay in Tenant's bankruptcy. If a Permitted Leasehold Mortgagee completes a foreclosure and/or a Permitted Leasehold Mortgagee or a

Tenant's member otherwise diligently exercises its rights and remedies hereunder, the Landlord shall waive any Events of Default which cannot reasonably be cured by a Permitted Leasehold Mortgagee and/or a Tenant's member. Tenant's investor member or any Permitted Leasehold Mortgagee may, but shall not be obligated or required to, cure a default and/or an Event of Default of Tenant that is uniquely specific to Tenant, such as bankruptcy, on behalf of Tenant and Landlord shall not terminate this Lease on the basis of any such default.

Section 15.06. RESERVED.

Section 15.07. Right to Pursue Remedies.

(a) Permitted Leasehold Mortgagees shall have the right to pursue remedies under their respective loan documents without the consent of the Landlord upon the occurrence of a default and the expiration of applicable notice and cure rights thereunder and, the Permitted Leasehold Mortgagees shall have the right to assume this Lease as Tenant in its own name or in the name of a nominee, or to assign or sublet this Lease upon foreclosure or assignment in lieu of foreclosure of the Permitted Leasehold Mortgage.

(b) No assumption of liability hereunder shall be inferred from a Permitted Leasehold Mortgagee's foreclosure or other appropriate proceedings in lieu thereof. If a Permitted Leasehold Mortgagee, or its affiliate or designee shall succeed to the interest of Tenant under this Lease, whether as a purchaser at a foreclosure sale or by the acceptance of a deed in lieu of foreclosure, such Permitted Leasehold Mortgagee or its affiliate or designee shall (i) not be liable for any act or omission of Tenant, and (ii) be released from all liability prior to the date such Permitted Leasehold Mortgagee or its designee or affiliate succeeds to the interest of Tenant.

(c) If this Lease terminates (to the extent termination is permitted by the terms of this Lease) because of an Event of Default of Tenant, because Tenant rejects it in Bankruptcy or similar proceedings or any other reason other than expiration of the Term, then Landlord shall, upon request by the most senior Permitted Leasehold Mortgagee, enter into a new lease for the remainder of the Term with the most senior Permitted Leasehold Mortgagee or its nominee or designee on the same terms (but without requirement to pay Base Rent) and with the same priority as this Lease and seek to structure the transaction to preserve the Exemption.

(d) This Lease shall not terminate as to the Permitted Leasehold Mortgagee because of any conveyance of Tenant's interest in the leasehold estate to Landlord or of the Landlord's interest hereunder to Tenant. Accordingly, if the leasehold estate and the fee estate are commonly held, then they shall remain separate and distinct estates. They shall not merge without the prior written consent by all Permitted Leasehold Mortgagees.

Section 15.08. Reserved.

Section 15.09. Landlord's Default. Landlord shall not be deemed to be in default in the performance of any obligation required to be performed by it under this Lease until it has (a) failed to timely pay any amount due and payable by Landlord under this Lease, and if such default continues for a period of ten (10) business days after written notice from Tenant to Landlord, or (b) failed to perform any other obligation within thirty (30) days after written notice by Tenant to Landlord specifying the nature of Landlord's default; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion. If any default by Landlord continues beyond the applicable cure period set forth in

this Section 15.09, Tenant may pursue all rights and remedies in equity, including an action for injunctive relief and/or specific performance, subject, however, to **Article 17** below. Notwithstanding anything to the contrary herein and in addition to all other rights and remedies of Tenant in this Lease, if Landlord's default threatens the safety of persons or imminent damage to property (including title thereto), Tenant may, but shall not be obligated, to cure such default on Landlord's behalf, and Tenant shall have the right to seek reimbursement from Landlord. Notwithstanding anything to the contrary in this Lease, Tenant may not terminate this Lease without the consent of each Permitted Leasehold Mortgagee and, if during the low-income housing tax credit compliance period, Tenant's investor member.

ARTICLE 16 INDEMNIFICATION

Tenant agrees to indemnify, hold harmless and defend Landlord, its officials, representatives, and employees (collectively the "Landlord") for, from and against any and all Claims as hereinafter defined, damages, losses and expenses, including but not limited to attorneys' fees, in connection with, arising out of, or resulting from Tenant's development, use or occupancy of the Premises, access or use of parking lots, walkways or common areas and any alterations or work done in or about the Premises by Tenant or on Tenant's behalf arising from any act, omission, or negligence of Tenant caused to any person or property occurring during the Lease Term in or about the Premises, or upon or under the sidewalks and the land adjacent thereto, including but not limited to any such claim, damage, loss or expense related to bodily injury sickness, disease or death or to injury to or destruction of tangible property. For purposes of this Lease, "**Claims**" means all claims, actions, demands, liabilities, damages, costs, and reasonable attorneys' fees. If any demand, action or proceeding is brought against Landlord by reason of any such Claims, Tenant, upon notice from Landlord, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to Landlord. This indemnity shall survive the expiration or sooner termination of this Lease. Landlord agrees to indemnify, hold harmless and defend Tenant for, from and against any and all Claims, damages, losses and expenses, including but not limited to attorneys' fees, in connection with, arising out of or resulting from Landlord's ownership of the Premises, arising from any grossly negligent act of Landlord or those acting on Landlord's behalf.

ARTICLE 17 LIMITATIONS ON LANDLORD'S LIABILITY

Section 17.01. Landlord's Transfer. The term "Landlord" as used in this Lease so far as covenants or obligations on the part of Landlord are concerned shall be limited to mean and include only the owner or owners at the time in question of the fee of the Premises and in the event of any transfer or transfers of the title to such fee consented to in writing by Tenant and Trustee (a "**Permitted Landlord Transfer**"), the Landlord herein named (and in case of any subsequent transfers or conveyances constituting a Permitted Landlord Transfer, the then grantor) shall be automatically freed and relieved from and after the date of such transfer or conveyance from all obligations on the part of Landlord contained in this Lease to be performed thereafter, provided that the grantee or transferee expressly assume, subject to the limitations of this **Article 17**, all of the terms, covenants and conditions in this Lease contained on the part of Landlord thereafter to be performed, it being intended by this Article that the covenants and obligations contained in this Lease on the part of Landlord shall, subject to the provisions of this **Article 17**, be binding on Landlord, its successors and assigns, only during and in respect of their respective successive periods of ownership.

Section 17.02. Landlord shall not consent to any future mortgages or deeds of trust or permit any future liens, or encumbrances against the fee estate or the Property, or otherwise pledge, subordinate, assign or otherwise dispose of the fee estate or Property without the prior written consent of Tenant and any Permitted Leasehold Mortgagee. To the extent a future mortgage or deed of trust on the fee estate is

permitted hereunder, such mortgage shall expressly provide that it is subordinate and subject to Tenant's interest under this Lease. Additionally, Tenant shall not subordinate its interest in the leasehold estate to any future encumbrance of the fee estate obtained by Landlord.

Section 17.03. Landlord's Liability. Notwithstanding anything to the contrary in this Lease, neither Landlord nor Landlord's general or limited partners, members, directors, officers, members employees, agents, constituent partners, beneficiaries, trustees, representatives, successors or assigns (collectively, "**Landlord's Affiliates**") shall be personally responsible or liable for any representation, warranty, covenant, undertaking or agreement contained in this Lease, and the sole right and remedy of Tenant or any subsequent assignee shall be against Landlord's interest in the Premises. Neither Tenant nor any subsequent assignee shall seek to obtain any judgment imposing personal liability against Landlord, Landlord's Affiliates, or their successors or assigns nor execute upon any judgment or place any lien against any property other than Landlord's interest in the Premises. Unless caused by the gross negligence or willful act of Landlord or its agents or employees, Landlord shall not be responsible or liable for any damage or injury to any property, fixtures, merchandise, or decorations or to any person or persons at any time on the Premises from steam, gas, electricity, water, rain, or any other source whether the same may leak into, issue or flow from any part of the Project or pipes or plumbing work of the same, or from any other place or quarter, nor shall Landlord be in any way responsible or liable in case of accident or injury including death to any of Tenant's employees, agents, subtenants, or to any person or persons in or about the Premises or the streets, sidewalks or vaults adjacent thereto; and Tenant agrees that it will not hold Landlord in any way responsible or liable therefor.

ARTICLE 18 INVALIDITY OF PARTICULAR PROVISIONS

If any term or provision of this Lease or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 19 CERTIFICATES OF LANDLORD AND TENANT

Tenant agrees at any time and from time to time upon not less than fifteen (15) days prior notice by Landlord to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications that this Lease is in full force and effect as modified and stating the modifications), and stating whether or not to the best knowledge of the signer of such statement Tenant or Landlord is then in default or may be in default with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Lease, and, if in default, specifying each such default, it being intended that any such statement delivered pursuant to this Section may be relied upon by Landlord or any prospective purchaser of the fee but reliance on such statement may not extend to any default as to which the signer shall have had no actual knowledge.

ARTICLE 20 NOTICES

All Notices must be in writing and must be sent by personal delivery, by United States registered or certified mail (postage prepaid), by electronic mail, or by an independent overnight courier service, fully prepaid and addressed to each of the parties as follows:

Landlord:	City of Sedona 102 Roadrunner Drive Sedona, Arizona 86336 Attention: City Manager Email: aspickard@sedonaaz.gov
Tenant:	The Villas on Shelby, LLC 30 South Oak Street London, Ohio 43140 Attention: Matthew A. Shoemaker Email: mshoemaker@hsdevpartners.ocm
with a copy to:	Nelson Mullins Riley & Scarborough LLP 390 North Orange Avenue, Suite 1400 Orlando, Florida 32801 Attention: Roman Petra, Esq. Email: roman.petra@nelsonmullins.com
Tenant's investor member:	Raymond James Tax Credit Fund XX L.L.C. c/o Raymond James Affordable Housing Investments, Inc. 880 Carillon Parkway St. Petersburg, Florida 33716 Attention: Steve Kropf, President Email: SteveKropf@RaymondJames.com
with a copy to:	Nixon Peabody LLP Exchange Place 53 State Street Boston, Massachusetts 02109 Attention: Nathan A. Bernard Email: nbernard@nixonpeabody.com
Permitted Leasehold Mortgagee:	U.S. Bank Trust Company, National Association 60 Livingston Avenue, 3 rd Floor EP-MN-WS3C St. Paul, Minnesota 55107 Attention: Martha Earley Email: martha.earley@usbank.com

Notices given by personal delivery are deemed delivered when actually received or when the receiving party refuses delivery. Notices given by mail are deemed delivered within three business days after the party sending the notice deposits the notice with the United States Post Office. Notices delivered by electronic mail are deemed delivered upon the receiving party's confirmation of receipt. Notices delivered by courier are deemed delivered on the next business day after the day the party delivering the notice timely deposits the notice with the courier for overnight (next day) delivery. Any notice given by an attorney or agent acting on behalf of a party shall be effective as notice from such party. Any party may designate by notice in writing given in the manner specified above of a new or other address to which such notice or demand shall thereafter be so given or made. Courtesy copies of notices shall also be provided by email.

Landlord shall forward copies of any notices, demands, consents, approvals, requests and other communication and documents (other than Additional Rent and other periodic billing notices) that are sent to Tenant to Tenant's investor member and the Permitted Leasehold Mortgagees. No notice given by Landlord shall be effective against a Permitted Leasehold Mortgagee unless Landlord has given a copy of the notice to such Permitted Leasehold Mortgagee.

ARTICLE 21 HAZARDOUS MATERIALS

Section 21.01. Compliance with Hazardous Materials Laws. Tenant will not cause any Hazardous Materials to be brought upon, kept or used on the Premises in a manner or for any purpose that violates any Hazardous Materials Laws. Tenant, at its sole cost and expense, will comply with, and require all others using the Premises during the term to comply with, all Hazardous Materials Laws related to the use of the Premises. On or before the expiration or sooner termination of this Lease, Tenant will completely remove from the Premises (regardless whether any Hazardous Materials Law requires removal), in compliance with all Hazardous Materials Laws and at Tenant's sole cost and expense, all Hazardous Materials Tenant causes to be present in, on, under or about the Premises.

Section 21.02. Notice of Actions. Tenant will notify Landlord of any of the following actions affecting Landlord, Tenant or the Premises that result from or in any way relate to Tenant's use of the Premises, promptly after receiving notice of the same: (a) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened under any Hazardous Materials Law (as hereinafter defined); (b) any Claims made or threatened relating to any Hazardous Material (as hereinafter defined); (c) any reports, records, letters of inquiry and responses, manifests or other documents made by any person, including Tenant, to or from any environmental agency relating to any Hazardous Material, including any complaints, notices, warnings or asserted violations, and (d) any change in the operations on the Premises that will change Tenant's or Landlord's obligations or liabilities under Hazardous Materials Law. Tenant will not take any remedial action in response to the presence of any Hazardous Materials in, on, under or about the Premises, nor enter into any settlement agreement, consent decree or other compromise with respect to any Claims relating to or in any way connected with Hazardous Materials in, on, under or about the Premises, without first notifying Landlord of Tenant's intention to do so and (i) affording Landlord reasonable opportunity to investigate, appear, intervene and otherwise assert and protect Landlord's interest in the Premises and (ii) obtaining Landlord's prior written consent thereto, which shall not be unreasonably withheld, conditioned or delayed.

Section 21.03. Hazardous Materials Indemnifications and Representation. To the fullest extent allowable under Hazardous Materials Laws, Tenant releases and will indemnify, protect, defend (with counsel reasonably acceptable to Tenant's insurance provider) and hold harmless Landlord for, from and against any and all Claims whatsoever arising or resulting, in whole or in part, directly or indirectly, from the presence, treatment, storage, transportation, disposal, release or management of Hazardous

Materials in, on, under, about or from the Premises (including water tables and atmosphere), but only to the extent arising from Tenant's use or occupancy of the Premises and subject to the limitations below. Tenant's obligations under this Section include, without limitation and whether foreseeable or unforeseeable, (i) the costs of any required or necessary repair, compliance, investigations, clean-up, monitoring, response, detoxification or decontamination of the Premises; (ii) the costs of implementing any closure, remediation or other required action in connection therewith; (iii) intentionally omitted; and (iv) consultants' fees, experts' fees and response costs (collectively, "**Environmental Costs**"). If any action or proceeding is brought against Landlord by reason of any such Claims, Tenant, upon notice from Landlord, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to Landlord. The obligations of Tenant under this **Article 21** survive the expiration or sooner termination of this Lease. Notwithstanding anything to contrary herein, Tenant's indemnification and other obligations in this Section 21.03 shall not include Claims or Environmental Costs to the extent caused by Landlord's negligence or willful misconduct.

Section 21.04. Environmental Definitions. "Hazardous Materials" means any of the following, in any amount: (a) any petroleum or petroleum product, asbestos in any form, urea formaldehyde and polychlorinated biphenyls, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos in any form, PCBs; (b) any radioactive substance, transformers or other equipment containing dielectric fluid; (c) any toxic, infectious, reactive, corrosive, ignitable or flammable chemical or chemical compound; and (d) any chemicals, materials or substances, whether solid, liquid or gas, defined as or included in the definitions of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "solid waste," "medical waste," or words of similar import in any federal, state or local statute, law, ordinance or regulation now existing or existing on or after the Effective Date as the same may be interpreted by government offices and agencies, including, without limitation, (i) trichloroethylene, tetrachloroethylene, perchloroethylene and other chlorinated solvents, (ii) oil or any petroleum products or fractions thereof, (iii) asbestos, (iv) polychlorinated biphenyls, (v) flammable explosives, (vi) urea formaldehyde, (vii) radioactive materials and waste, and (viii) infectious waste. "Hazardous Materials Laws" means any federal, state or local laws, ordinances, codes, statutes, regulations, administrative rules, policies and orders, and other authority, existing now or in the future, which classify, regulate, list or define Hazardous Materials or which deal with the regulation or protection of human health, industrial hygiene or the environment, including the soil, subsurface soil, ambient air, groundwater, surface water, and land use, including, but not limited to the following: the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. §§ 9601 et seq.); the Resource Conservation and Recovery Act as amended (42 U.S.C. §§ 6901 et seq.); the Safe Drinking Water Act as amended (42 U.S.C. §§ 300f et seq.); the Clean Water Act as amended (33 U.S.C. §§ 1251 et seq.); the Clean Air Act as amended (42 U.S.C. §§ 7401 et seq.); the Toxic Substances Control Act as amended (15 U.S.C. §§ 135 et seq.); the Solid Waste Disposal Act as amended (42 U.S.C. §§ 3251 et seq.); the Hazardous Materials Transportation Act (49 U.S.C. §§ 1801 et seq.); the provisions of Title 49 of Arizona Revised Statutes; the regulations promulgated under any of the foregoing.

ARTICLE 22

REMEDIES: NO WAIVER; NO ORAL CHANGE

Section 22.01. Remedies Exclusive; No Waiver. The failure of either Party to insist in any one or more cases upon the strict performance of any of the covenants of this Lease or to exercise any option contained in this Lease shall not be construed as a waiver or a relinquishment for the future of such covenant or option. A receipt by Landlord of funds with knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressly in writing and signed by Landlord.

Section 22.02. Amendment. This Lease cannot be changed orally, but only by an agreement in writing signed by the Parties and only with the prior written consent of Tenant's investor member and any Permitted Leasehold Mortgagee, which consent shall not be unreasonably withheld or delayed.

ARTICLE 23 QUIET ENJOYMENT

Landlord covenants and agrees that Tenant, upon paying the Base Rent and Additional Rent provided for in this Lease and upon observing and keeping all of the covenants, agreements and provisions of this Lease on its part to be observed and kept, shall lawfully and quietly hold, occupy and enjoy the Premises during the Lease Term, without hindrance by or from anyone claiming by, through or under Landlord.

ARTICLE 24 REAL ESTATE BROKERS

Each of the Parties hereby represent and warrant that it dealt with no real estate broker, agent or party who may be entitled to a commission or fee on account of this Lease. Each of the Parties hereby indemnifies and agrees to indemnify, protect, defend (with counsel reasonably acceptable to Tenant's insurance provider and Landlord) and hold harmless the other party for, from and against any and all Claims that may be incurred in the event the foregoing representation and warranty proves incorrect. If any action or proceeding is brought against a party (the "**Notifying Party**") by reason of any such Claims, the other party (the "**Receiving Party**"), upon notice from the Notifying Party, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to Notifying Party. The obligations of Receiving Party under this **Article 24** survive the expiration or sooner termination of this Lease.

ARTICLE 25 REPRESENTATIONS

Section 25.01. Landlord's Representations. Landlord, to the best of its knowledge and belief, represents to Tenant that as of the Effective Date:

(a) **Due Organization.** Landlord is a municipal corporation duly organized and existing in good standing under the laws of the State of Arizona.

(b) **Landlord's Authority; Validity of Agreements.** Landlord has full right, power and authority to lease the Premises to Tenant and to carry out its obligations hereunder. The individual(s) executing this Lease and the instruments referenced herein on behalf of Landlord have the legal power, right and actual authority to bind Landlord to the terms hereof and thereof. This Lease is, and all other instruments, documents and agreements to be executed and delivered by Landlord in connection with this Lease shall be, duly authorized, executed and delivered by Landlord and shall be valid, binding and enforceable obligations of Landlord and do not violate any provisions of any agreement or judicial order to which Landlord is a party or to which Landlord or the Property is subject.

(c) **Sole Owner.** Landlord is the sole owner of fee simple interest to the Premises as of the Effective Date. Except as expressly permitted herein, Landlord shall not take any action to effect title or permit or consent to any change to title to the Premises while this Lease is in effect (including, by the recordation of any restriction, encumbrance or other covenant against the Premises), and the sole and exclusive possession of the Property shall be delivered to Tenant on the Effective Date.

(d) No Third-Party Rights. Nothing in this Lease, express or implied, is intended or shall be construed to confer upon any person, firm, or corporation other than the parties hereto and their respective successors or assigns and each Permitted Leasehold Mortgagee and Tenant investor member, any remedy or claim under or by reason of this Lease or any term, covenant or condition hereof, as third party beneficiaries or otherwise, and all of the terms, covenants and conditions hereof shall be for the sole and exclusive benefit of the parties hereto and their permitted successors and assigns and each Permitted Leasehold Mortgagee and Tenant investor member. Tenant shall not sign any amendment to this Lease without the consent of its investor member (and its successors and assigns).

(e) Litigation. To the actual knowledge of Landlord (a) there are no actions, investigations, suits or proceedings (other than tax appeals or protests) pending or threatened that affect the Premises, or the ownership or operation thereof, and (b) there are no judgments, orders, awards or decrees currently in effect against Landlord with respect to the ownership or operation of the Premises which have not been fully discharged prior to the Effective Date.

(f) Survival. All of the representations, warranties and agreements of Landlord set forth in this Lease shall be true upon the Effective Date, shall be deemed to be repeated at and as of the Commencement Date (except as otherwise set forth in writing to Tenant) and shall survive for the Lease Term.

(g) Liens. Landlord represents and warrants that as of the Commencement Date, the Premises is free and clear of all liens and encumbrances except as disclosed in the Leasehold Title Policy dated as of the Commencement date.

Section 25.02. "AS IS" Condition. Tenant acknowledges that it has examined the Property, is familiar with the physical condition, zoning, restrictive covenants, status of title and use that may be made of the Property and every other matter or thing affecting or related to the Property, and is leasing the same in its "AS IS" condition existing on the Effective Date. Except as specifically set forth in this Lease, Landlord has not made and does not make any representations or warranties whatsoever with respect to the Property or otherwise with respect to this Lease. Except as otherwise expressly provided in this Lease, Tenant assumes all risks resulting from any defects (patent or latent) in the Property or from any failure of the same to comply with any Applicable Law or the uses or purposes for which the same may be used or occupied.

Section 25.03. Tenant's Representations. Tenant represents and warrants to and agrees with Landlord that as of the Effective Date:

(a) Due Organization. Tenant is a limited liability company organized and existing in good standing under the laws of the State of Ohio and is registered to do business in the State of Arizona as a foreign limited liability company.

(b) Tenant's Authority; Validity of Agreements. Tenant has full right, power and authority to lease the Premises from Landlord as provided in this Lease and to carry out its obligations hereunder. The individual(s) executing this Lease and the instruments referenced herein on behalf of Tenant have the legal power, right and actual authority to bind Tenant to the terms hereof and thereof. This Lease is, and all other instruments, documents and agreements to be executed and delivered by Tenant in connection with this Lease shall be, duly authorized, executed and delivered by Tenant and shall be valid, binding and enforceable obligations of Tenant (except as enforcement may be limited by bankruptcy, insolvency or similar laws) and do not, and as of the Effective Date will not, violate any provisions of any agreement or judicial order to which Tenant is a party.

(c) **Survival.** All of the representations, warranties and agreements of Tenant set forth in this Lease shall be true upon the Effective Date, shall be deemed to be repeated at and as of the Commencement Date (except as otherwise set forth in writing to Tenant) and shall survive for the Lease Term

(d) **Annual Audit Report and Review of Rents.** No later than 30 days after receipt by Tenant, Tenant shall provide to Landlord, copies of the following: (i) the annual audit for the previous twelve (12) months of operation of the Project; (ii) the annual occupancy report prepared by the property manager for the Project; and (iii) any required audits by HUD or LIHTC funding. Tenant books shall be made available to the Landlord for inspection during Tenant's business hours upon thirty (30) days written request to Tenant. Tenant will make every effort to comply with the Landlord's request for documentation and review hereunder; however, failure to provide the documentation or review within the time periods set forth herein, will not result in an Event of Default which would result in termination of this Lease.

ARTICLE 26 MISCELLANEOUS

Section 26.01. Default Rate. All Additional Rent and other sums that may from time to time become due and payable by Tenant to Landlord under any of the provisions of this Lease shall bear interest from and after the due date thereof at the rate of eighteen percent (18%) per annum (the "**Default Rate**").

Section 26.02. Construction. In all cases the language in all parts of this Lease shall be construed simply, according to its fair meaning and not strictly for or against either Party. This Lease shall not be construed more strictly against one Party hereto than against any other Party hereto merely by virtue of the fact that it may have been prepared by counsel for one of the Parties.

Section 26.03. Headings. The word titles underlying the article and section designations contained in this Lease are inserted solely for convenience and under no circumstances are they or any of them to be treated or construed as any part of this instrument.

Section 26.04. Successors and Assigns. Subject to the other provisions of this Lease, this Lease shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns, and wherever a reference in this Lease is made to either Party, such reference shall be deemed to include, wherever applicable, also a reference to the successors and assigns of such Party, as if in every case so expressed.

Section 26.05. Memorandum of Lease. At the request of either Party, a Memorandum of Lease (in the form attached hereto as Exhibit B) shall be executed by the Parties and recorded in the Office of the County Recorder of Yavapai County, Arizona. In no event shall this Lease be recorded.

Section 26.06. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Arizona. Any suit against a Party relating to this Lease must be brought in Yavapai County or, if the suit is brought in federal court, in any federal court appropriate for suits arising in Yavapai County; the Parties waive the right to bring suit against each other elsewhere.

Section 26.07. Entire Agreement. This Lease, together with any written modifications or amendments hereafter entered into shall constitute the entire agreement between the Parties relative to the subject matter of this Lease, and shall supersede any prior agreement or understanding, if any, whether-written or oral, that Tenant may have had with Landlord relating to the subject matter of this Lease.

Section 26.08. Counterparts. This instrument may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Section 26.09. Attorneys' Fees; Waiver of Jury Trial. THE PARTIES HERETO EXPRESSLY COVENANT AND AGREE THAT IN THE EVENT OF LITIGATION ARISING FROM THIS LEASE, NEITHER PARTY SHALL BE ENTITLED TO AN AWARD OF ATTORNEY FEES, EITHER PURSUANT TO CONTRACT, PURSUANT TO A.R.S. §12-341.01 (A) AND (B), OR PURSUANT TO ANY OTHER STATE OR FEDERAL STATUTE, COURT RULE, CASE LAW, OR COMMON LAW. Both Parties hereby waive any right to a jury trial which they may otherwise have in the event of litigation arising under this Lease and consent to a trial to the court.

Section 26.10. Consent. Whenever and wherever a Party's consent is to be granted or obtained pursuant to this Lease, unless expressly provided otherwise, such consent shall not be unreasonably withheld, conditioned or delayed.

Section 26.11. Reserved.

Section 26.12. Expenses. Subject to express provisions otherwise in this Lease, all fees and expenses incurred by any Party hereto in connection with this Lease shall be borne by such Party.

Section 26.13. Further Assurances. In addition to the actions recited herein and contemplated to be performed, executed, and/or delivered by the Parties, the Parties agree to perform, execute and/or deliver or cause to be performed, executed and/or delivered any and all such further reasonable acts, instruments, deeds and assurances as may be reasonably required to consummate the transactions expressly contemplated herein; provided, the same does not materially change the economic terms hereof.

Section 26.14. Number and Gender. Whenever the singular number is used, and when required by the context, the same includes the plural, and the masculine gender includes the feminine and neuter genders.

Section 26.15. Holding Over. No holding over by Tenant after the Lease Term shall operate to extend this Lease. In the event of any unauthorized holding over, Tenant shall indemnify, defend and hold harmless Landlord against all Claims by any other lessee to whom Landlord may have leased all or any part of the Premises effective upon the expiration or sooner termination of this Lease, and this indemnity shall survive the expiration or sooner termination of this Lease. Any holding over without the consent of Landlord in writing shall thereafter constitute this Lease a lease from month to month with a monthly rent equal to 150% of the fair market value of the prorated Base Rent for each day that Tenant fails to surrender possession of the Premises to Landlord, as determined by a licensed appraiser who is a member of the MAI of Landlord's selection.

Section 26.16. Statutory Cancellation Right. This Lease is subject to cancellation for conflicts of interest under the provisions of A.R.S. §38-511.

Section 26.17. No Accord and Satisfaction. Any endorsement or statement on any check or any letter accompanying any check or payment shall not be deemed an accord and satisfaction, unless expressly agreed to, in writing, by Landlord. Landlord may accept any such check or payment without prejudice to Landlord's right to recover the balance of outstanding payment or pursue any other remedy provided in this lease.

Section 26.18. Relationship of Parties. This Lease does not create between the Parties the relationship of principal and agent, or of partnership or joint venture, or any other association or relationship, other than that of landlord and tenant.

Section 26.19. Time of Essence. Time is of the essence of this Lease and each and all of its provisions.

Section 26.20. Defined Term. For purposes of this Lease, “upon expiration or sooner termination of this Lease” and variations thereof shall be limited to expiration of this Lease or termination as permitted by the express terms of this Lease.

Section 26.21. Exhibits.

Exhibit A – Property Legal Description

Exhibit B – Memorandum of Ground Lease

Exhibit C – Land Use Restriction Agreement (“Declaration”)

Exhibit D – Permitted Leasehold Mortgages

The Parties have each caused this Lease to be executed and delivered by their duly authorized representatives.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES]

LANDLORD:

City of Sedona, an Arizona municipal corporation

By: _____

Scott M. Jablow

Its: Mayor

Dated: _____

ATTEST:

JoAnne Cook
City Clerk

APPROVED AS TO FORM:

Kurt W. Christianson
City Attorney

[Signature Page to Ground Lease]

TENANT:

The Villas on Shelby, LLC, an Ohio limited liability company

By: HSDP The Villas on Shelby, LLC, an Ohio limited liability company

Its: Manager

By: _____
Matthew A. Shoemacher

Its: Manager

Dated: _____

[Signature Page to Ground Lease]

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

EXHIBIT B

FORM OF MEMORANDUM OF LEASE

When recorded, return to:
CITY OF SEDONA
Office of City Clerk
102 Roadrunner Drive
Sedona, AZ 86336

MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE (this “**Memorandum**”) is made this ____ day of _____, 2025, by and between the **CITY OF SEDONA**, an Arizona municipal corporation (“**Landlord**”) and **THE VILLAS ON SHELBY, LLC**, an Ohio limited liability company (“**Tenant**”).

RECITALS

A. Landlord is the owner of certain real property, situated in the County of Maricopa, State of Arizona, more particularly described on attached Exhibit A (the “**Property**”)

B. Landlord and Tenant have entered into a Ground Lease of even date herewith (the “**Lease**”) with respect to the Property.

C. Pursuant to the Lease, the parties hereto desire by this Memorandum to confirm the existence of the Lease.

NOW, THEREFORE, IN CONSIDERATION of the entry into the Lease by the parties hereto and for other good and valuable consideration referred to therein, the receipt and adequacy of which are hereby acknowledged by each party hereto, the parties hereto hereby confirm that:

The leased premises are described on Exhibit A attached hereto.

The Lease is dated as of _____, 2025 (“**Commencement Date**”).

The term of the Lease shall expire on the seventy-fifth (75th) anniversary of the Commencement Date.

Nothing in this Memorandum is intended in any way to modify or amend the Lease or waive any of the respective rights thereunder of the parties hereto.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each party hereby has executed this Memorandum or caused it to be executed on its behalf by its duly authorized representatives, the day and year first above written.

LANDLORD:

The City of Sedona

By: _____
Scott M. Jablow
Its: Mayor

ATTEST:

JoAnne Cook
City Clerk

APPROVED AS TO FORM:

Kurt W. Christianson
City Attorney

TENANT:

The Villas on Shelby, LLC, an Ohio limited liability company

By: HSDP The Villas on Shelby, an Ohio limited liability company, its Manager

By: _____
Matthew A. Shoemacher
Its: Manager

STATE OF OHIO)
)
COUNTY OF _____) ss.

Acknowledged before me this ____ day of _____, 2025, by Matthew A. Shoemacher, the manager of HSDP The Villas on Shelby, LLC, the manager of The Villas on Shelby, LLC.

Notary Public
My Commission Expires:

EXHIBIT A
LEGAL DESCRIPTION

When Recorded Mail To:

CITY OF SEDONA
Office of City Clerk
102 Roadrunner Drive
Sedona, AZ 86336

**LAND USE RESTRICTION
AGREEMENT**

between

THE VILLAS ON SHELBY, LLC

and

CITY OF SEDONA,

Dated as of _____, 2025

LAND USE RESTRICTION AGREEMENT

This **LAND USE RESTRICTION AGREEMENT** (this “**Declaration**”) is made and entered into as of this _____ day of _____, 2025 by and between **THE VILLAS ON SHELBY, LLC**, an Ohio limited liability company (“**Declarant**”) and the **CITY OF SEDONA**, an Arizona municipal corporation (“**City**”). Declarant and City may be individually referred to as a “**Party**” or collectively as the “**Parties**”.

RECITALS

A. City owns certain real property located at 2250 Shelby Drive, Sedona, Arizona 86336 within the City of Sedona, County of Yavapai, State of Arizona, more particularly described in **Exhibit A, Legal Description**, attached hereto and incorporated herein (the “**Property**”).

B. The Property is located in the City’s Housing Development Area as declared in Resolution 2012-21.

C. City has agreed to lease the Property (the “**Ground Lease**”) to Declarant solely for purpose of constructing and operating affordable, multifamily rental housing comprised of 30 residential units for the purpose of housing tenants whose annual income does not exceed 60% of Yavapai County area median income (the “**Project**”) under the authority of A.R.S. §9-441 et. seq., which declares municipal assistance in providing for the acquisition, construction or rehabilitation of housing a valid public purpose and authorizes municipalities to aid the planning, undertaking and carrying out of housing development projects (the “**Public Purpose**”) and authorizes the City the powers listed in A.R.S. §9-441.02.

DECLARATION AND AGREEMENTS

NOW, THEREFORE, Declarant hereby declares, and City hereby agrees as follows:

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the Recitals hereto and in this Section 1:

“*Income Certification*” means a certification as to income and other matters executed by the household members of each resident in the Project substantially in the form as may be prescribed in writing by Declarant in accordance with this Declaration.

“*Low Income Tenant*” means a family whose annual income does not exceed an average of 60% of the median family income for Yavapai County, Arizona, as determined by HUD with adjustments for family size (“**Yavapai Median Family Income**”). The determination of a tenant’s status as a Low Income Tenant shall be made by Declarant upon initial occupancy of a Unit in the Project by such tenant and at any time Declarant has knowledge that the number of occupants in that Unit has changed, on the basis of an Income Certification executed by the tenant. Any unit leased to a Low Income Tenant whose income increases above the applicable income limitation after initial occupancy (“**Over-Income Tenant**”), shall be deemed to remain in compliance until such Over-Income Tenant vacates the unit in compliance with the Internal Revenue Code and Arizona Department of Housing rules and regulations, at which time the units must be leased to a new “Low Income Tenant.”

“*Project*” means the acquiring, constructing, improving, equipping and/or operating of a qualified residential rental housing project to be comprised of units described in Section 5(g) and improvements and facilities functionally related and subordinate thereto, to be generally located on the Property.

“*Property*” means the property located at 2250 Shelby Drive, Sedona, Arizona 86336 (Yavapai County Assessor Parcel Number 408-28-103F).

“*Public Purpose Period*” means the date of the recording of this Declaration and ending on the date which is the earlier of 30 years from the date on which 50% of the Units in the Project are first occupied or upon termination or expiration of the Ground Lease.

“*Units*” or “*Unit*” means residential units in the Project that are rent-restricted and individuals occupying such unit meet the income limitation applicable pursuant to 26 USC § 42(i)(3).

Unless the context clearly requires otherwise, as used in this Declaration, words of the masculine, feminine or neuter gender shall be construed to include each other gender, and words of the singular number shall be construed to include the plural number, and vice versa. This Declaration and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Declaration have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of this Declaration have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Declaration or any provisions hereof or in ascertaining intent, if any question of intent shall arise. Any reference in this Declaration to an “Exhibit” or a “Section” shall, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Declaration or to a Section of this Declaration. All Exhibits attached to or referred to in this Declaration are incorporated by reference into this Declaration.

Section 2. Covenants to Run with the Land.

(a) Declarant hereby subjects Declarant’s interest in the Property to the covenants, reservations and restrictions set forth in this Declaration. Declarant hereby declares its express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with Declarant’s interest in the Property and shall pass to and be binding upon Declarant’s successors in interest to the Property, including, without limitation, City; provided, however, that upon termination of this Declaration said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments, unless otherwise agreed to in writing by Declarant.

(b) City shall cause this Declaration, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of Yavapai County, Arizona.

The Parties intend, declare and covenant, on behalf of themselves and all future owners of the property that, during the term of this Declaration, all of the covenants and restrictions set forth in this Declaration regulating and restricting the use, occupancy and transfer of the Property (i) will be and are covenants running with the Property, encumbering the Property, and are binding upon the successors in title to Declarant and all subsequent owners of the Property, (ii) are not merely personal covenants of the Parties, and (iii) will bind the Parties and their respective successors and assigns during the term of this Declaration. The Parties hereby agree that any and all requirements of the laws of the state of Arizona to be satisfied in order for the provisions of this Declaration to constitute deed restrictions and covenants running with the

land will be deemed to be satisfied in full, and that any requirements for privity of estate or title are intended to be satisfied hereby, or in the alternative, that an equitable servitude has been created to ensure that these restrictions will run with the land. For the term of this Declaration, each and every contract, deed or other instrument hereafter executed conveying the Property or any portion thereof will expressly provide that such conveyance is subject to this Declaration; provided, however, that the covenants contained herein will survive and be effective regardless of whether such contract, deed, or other instrument hereafter executed conveying the Property or any portion thereof provides that such conveyance is subject to this Declaration.

Section 3. Burden and Benefit. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the Property and that City's legal interest in the Project is rendered less valuable thereby. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations, and restrictions, and by furthering the Public Purpose for which the interest in the Property was acquired.

Section 4. Uniformity; Common Plan. The covenants, reservations, and restrictions hereof shall apply uniformly to the Project in order to establish and carry out a common plan for the use, development and improvement of the Property.

Section 5. Residential Rental Property. Declarant hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be constructed, developed, and operated for the purpose of providing multifamily residential rental property. Declarant will cause the Project to be managed and operated as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities.

(b) All the Units in the Project will be similarly constructed Units in terms of design, materials and quality, and each Unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities.

(c) No part of the Project will at any time during the Public Purpose Period be owned by a cooperative housing corporation, nor shall Declarant take any steps in connection with a conversion to such ownership or use, and Declarant will not take any steps in connection with a conversion of the Project to condominium ownership during the Public Purpose Period.

(d) All of the Units in the Project will be available for rental on a continuous basis to Low Income Tenants.

(e) Reserved.

(f) The Project consists of similarly constructed Units together with functionally related and subordinate facilities for use by all residents, such as recreational facilities, parking areas, heating and cooling equipment, trash disposal equipment and other facilities that are reasonably required for the Project.

(g) The Project will consist of 30 Units. 30 Units will be occupied by Low Income Tenants, of which 30 Units will be occupied by a tenant whose annual income does not exceed 60% of the Yavapai Median Family Income. The Unit restrictions contained in this paragraph will remain the same throughout the Public Purpose Period.

(h) Declarant hereby covenants to include the requirements and restrictions contained in this Declaration in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any such transferee to abide by all requirements and restrictions of this Declaration. Declarant's failure to include the requirements and restrictions contained in this Declaration in any transferring documents or failure to obtain the transferee's agreement to abide by all requirements and restrictions does not negate transferee's obligation to comply with the requirements and restrictions contained herein.

Section 6. Records and Reports. Declarant hereby represents, warrants and covenants as follows, that during the Public Purpose Period:

(a) Declarant will maintain complete and accurate records pertaining to the Units and will permit, at all reasonable times and upon reasonable advance notice during normal business hours, any duly authorized representative of City to enter upon the Project site or principal place of business to examine and inspect the Project and to inspect the books and records of Declarant pertaining to the Project, including those records pertaining to the occupancy of the Units.

(b) During the Public Purpose Period, on or before August 1st of each year, Declarant agrees to submit to City and City agrees to accept from Declarant the report and financial statement prepared by Declarant and delivered to the State of Arizona, Arizona Department of Housing ("ADOH") for monitoring compliance. Additionally, Declarant will submit to City any corrective action or clear letter received from ADOH related to each year's annual report and financial statement. Regardless of Declarant's obligation to submit the report and financial statement to ADOH, Declarant will submit the report and financial statement to City during the Public Purpose Period. After ADOH's compliance monitoring ends, Declarant will submit the same annual report and financial statement submitted to ADOH for all Units and the Property ("Annual Report") to City prepared by an independent certified public accountant or other person, who in either case has been approved by City in writing ("Auditor"). The Annual Report will include adequate information for City to determine the financial condition and continued financial viability of the Project, data evidencing the income of each person who resides in the Units during the period from January 1st through December 31st of each year, an operating statement reflecting income and expenses for the reporting period for the Property, a certification by the Auditor that the annual income of all tenants occupying the Units during the reporting period satisfies the requirements of this Declaration, and otherwise be such in form and substance as is acceptable to City. Within 30 days after receipt of the Annual Report, City will approve or disapprove the operation of the Property as reflected in the Annual Report.

(c) During the Public Purpose Period, all leases or rental agreements shall be subordinate to this Declaration. All leases shall contain clauses, among others, wherein each tenant: (i) certifies the accuracy of the statements made by such tenant in the Income Certification; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy, that such tenant will comply promptly with all requests for information with respect thereto from Declarant or City, and failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges Declarant relied on the statements made by such tenant in the Income Certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of a Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees the tenant's income is subject to annual certification.

(d) Declarant further covenants and agrees to prepare and submit to City, within 60 days prior to the last day of the Public Purpose Period, a certificate setting forth the date on which the Public Purpose Period will end.

(e) Declarant shall be solely responsible for any and all costs associated with conducting the compliance review in accordance with Section 6 of this Declaration. City shall neither incur nor be financially responsible for any such costs.

(f) Declarant shall not discriminate on the basis of race, color, sex (including sexual orientation and gender identity or expression), religion, source of income (e.g., AFDC or SSI), disability, national origin, or familial status in the rental, lease, use, or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

(g) All reasonable costs, including fees and expenses of City (and its attorneys' fees and expenses) incurred in connection with enforcement of Declarant's compliance with the requirements of this Section shall be paid by Declarant.

Section 7. Sale or Transfer of the Property. Declarant hereby covenants and agrees not to voluntarily sell, transfer, or otherwise dispose of any interest it may have in the Property, or any portion thereof, including, without limitation, any leasehold interest, without obtaining the prior written consent of City, which consent shall not be unreasonably conditioned, withheld or delayed. Any such sale, transfer or disposition of any interest in the Property without City's consent shall be void. Declarant shall obtain from any such transferee an assumption agreement in form and substance reasonably satisfactory to City evidencing that such transferee has notice of, and is bound by, the requirements and restrictions of this Declaration. Declarant's failure to obtain an assumption agreement does not negate transferee's obligation to comply with the requirements and restrictions contained herein. The term "Transfer" under this Section 7 excludes the Ground Lease as described in Paragraph C of the Recitals; leases by Declarant in the ordinary course of its business; transfers permitted pursuant to Section 14 of the Deed of Trust; transfer of Declarant's investor member's or managing member's interest to an affiliate thereof; all pursuant to Ground Lessee's amended and restated operating agreement as it may be amended. Declarant agrees to provide City with written notice of the identity of any entity replacing the investor member and/or managing member and upon request by City, Declarant will provide City with the names of all owners of interests in Declarant. Declarant hereby covenants and agrees not to transfer the Ground Lease (except as described in Paragraph C of the Recitals), or any portion thereof, without obtaining the prior written consent of City, which consent shall not be unreasonably conditioned, withheld or delayed.

Section 8. Term. This Declaration shall become effective upon its execution and delivery and shall remain in full force and effect through the Public Purpose Period provided herein. Upon the termination of the terms of this Declaration, Declarant and City agree to execute, deliver, and record appropriate instruments of release and discharge of the terms hereof provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Declaration in accordance with its terms. This Declaration may also terminate by mutual written consent of the Parties.

Section 9. Default; Enforcement. If Declarant defaults in the performance or observance of any covenant, agreement or obligation of Declarant set forth in this Declaration, and if such default remains uncured for a period of 30 days after notice thereof shall have been given by City to Declarant, then City shall declare an "Event of Default" to have occurred hereunder; provided further, however, that, if the default stated in the notice is of such a nature that it cannot be corrected within 30 days, such default shall not constitute an Event of Default hereunder so long as Declarant institutes corrective action within said 30 days and diligently pursues such action until the default is corrected. Declarant's investor member has the right, but not the obligation, to cure an Event of Default on behalf of Declarant.

Declarant hereby agrees that specific enforcement of Declarant's agreements contained herein is the primary means by which City may obtain the benefits of such agreements made by Declarant herein,

and Declarant therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by Declarant hereunder. All rights and remedies herein given or granted to City are cumulative, nonexclusive, and in addition to any and all rights and remedies City may have or may be given by reason of any law, statute, ordinance, document, or otherwise.

Section 10. Payment of Expenses. Declarant agrees to pay reasonable and necessary out of pocket expenses of City incurred in connection with the enforcement or amendment of this Declaration, excluding all allocations of internal overhead of City, within 30 days after receipt of written request for payment, provided that, prior to incurring such expenses, City confers with Declarant as to the reasonableness and necessity of such expenses.

Section 11. Governing Law and Venue. This Declaration and the rights of the Parties shall be governed by and construed in accordance with the laws and judicial decisions of the State of Arizona, without reference to any choice of law principles. Any judicial action to interpret or enforce the terms of this Declaration shall be brought and maintained in the Superior Court of the State of Arizona, in and for the County of Yavapai, the United States District Court in and for the District of Arizona, or any United States Bankruptcy Court in any case involving or having jurisdiction over City or the Project.

Section 12. Amendments. This Declaration shall be amended only by a written instrument executed by the Parties, and duly recorded in the real property records of Yavapai County, Arizona.

Section 13. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, electronic mail, certified or registered mail, postage prepaid, return receipt requested, a national overnight delivery service at the addresses specified below, or at such other addresses as may be specified in writing by Declarant hereto:

To City: City of Sedona
City Manager
102 Roadrunner Drive
Sedona, Arizona 86336

To Declarant: The Villas on Shelby, LLC
30 South Oak Street
London, Ohio 43140
Attn: Matthew A. Shoemacher

with a copy to: Nelson Mullins Riley & Scarborough LLP
390 North Orange Avenue Suite 1400
Orlando, Florida 32801
Attn: Roman Petra, Esq.

To Investor: Raymond James Tax Credit Fund XX L.L.C.
c/o Raymond James Affordable Housing Investments, Inc. 880
Carillon Parkway
St. Petersburg, Florida 33716
Attn: Steven J. Kropf, President
Email: Steve.Kropf@RaymondJames.com

with a copy to: Nixon Peabody LLP
Exchange Place
53 State Street
Boston, Massachusetts 02109
Attn: Nathan A. Bernard
Email: nbernard@nixonpeabody.com

To Lender: U.S. Bank Trust Company, National Association
60 Livingston Avenue,
EP-MN-WS3C
St. Paul, Minnesota 55107
Attn: Martha Earley
Email: martha.earley@usbank.com

Notice shall be effective upon mailing and upon receipt of personal delivery or electronic mail.

Section 14. Severability. If any provision of this Declaration shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 15. Multiple Counterparts. This Declaration may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 16. Notice of Ariz. Rev. Stat. § 38-511 Cancellation of Contracts. Notice is hereby given of the provisions of Ariz. Rev. Stat. § 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to contracts of the nature of this Declaration under the laws of the State.

Section 17. No Pecuniary Liability of Declarant. Neither City nor any of its elected officials, officers, directors, employees, contractors, consultants, counsel, program managers or agents shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith.

No provision of this Declaration shall require City to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

IN WITNESS WHEREOF, the Parties hereto have executed this Declaration as of the date stated above.

[Signatures appear on following pages]

CITY OF SEDONA, an Arizona municipal corporation,
as City

By: _____
Scott M. Jablow
Its: Mayor
Date: _____

Attest:

JoAnne Cook, City Clerk

Approved as to form:

By: Kurt W. Christianson, City Attorney

[Signature Page of City of Sedona]

THE VILLAS ON SHELBY, LLC, an Ohio limited liability company, as Declarant

By: HSDP The Villas on Shelby, LLC
Its: Manager

By: _____
Name: Matthew A. Shoemacher
Title: Manager
Date: _____

STATE OF OHIO)
) ss.
COUNTY OF _____)

This Declaration, consisting of ____ pages plus an attached Exhibit A, was signed and acknowledged before me this ____ day of _____, 2025, by Matthew A. Shoemacher, as manager of HSDP The Villas on Shelby, LLC, as manager of The Villas on Shelby, LLC.

Notary Public

My Commission Expires:

[Signature Page of The Villas on Shelby, LLC]

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN SEDONA, YAVAPAI COUNTY,
ARIZONA, AND IS DESCRIBED AS FOLLOWS:

CITY OF SEDONA AFFORDABLE HOUSING
LOAN SECURED PROMISSORY NOTE

\$2,250,000.00

_____, 20____
Sedona, Arizona

FOR VALUE RECEIVED, The Villas on Shelby, LLC, an Ohio limited liability company (“Borrower”) promises to pay to the City of Sedona, an Arizona municipal corporation (“Lender”), at 102 Roadrunner Drive, Sedona, AZ 86336, or at such other place as the Lender may from time to time designate, in lawful money of the United States of America, the principal sum of TWO MILLION TWO HUNDRED FIFTY THOUSAND (\$2,250,000.00) (the “Note”). The City Loan will be repaid in accordance with the terms and conditions as hereinafter provided.

RECITALS

- A. Borrower, as tenant, and Lender, as landlord, entered into that certain ground lease of even date herewith (the “Land Lease”) for property located at 2250 Shelby Drive, Sedona, Arizona whose legal description is attached hereto as Exhibit A and incorporated herein (the “Property”).
- B. Borrower and Lender entered into a Declaration of Affirmative Land Use and Restrictive Covenants in Furtherance of Public Purpose of even date herewith (the “Declaration”) to be recorded in Yavapai County.
- C. Borrower has applied to Lender for rental development financing for the construction of the Project, as hereinafter defined, on the terms and conditions hereinafter provided (the “City Loan”).
- D. The City Loan will be secured by a Leasehold Deed of Trust and Assignment of Rents of even date herewith (the “Deed of Trust” and together with this Note, the “Loan Documents”).
- E. Lender has agreed to loan the City Loan to the Project, provided that Borrower agrees to abide by the terms and provisions of the Land Lease, Declaration and the Loan Documents.

Now, therefore, in consideration of the mutual promises and covenants set forth herein, and of all other valuable consideration, Borrower and Lender agree as follows:

The above recitals are incorporated herein and made a part of this Note.

- 1. Borrower shall use the sums advanced under this Note toward the construction of thirty (30) affordable housing units on the Property (the “Project”).
- 2. Payment of this Note will be secured by the Deed of Trust.
- 3. Subject to Section 6 below, Borrower shall pay the Lender annual installments of principal and interest at the rate of the 5.85% compounded annually, beginning on the first day of _____, 2027, and continuing the 1st day of _____ each year thereafter, as set forth in the debt service schedule attached as Schedule 1 (the “Annual Payments”), together with all outstanding and accrued interest on the City Loan. Interest shall begin to accrue on the date of disbursement of the City Loan proceeds. The entire outstanding principal balance and all accrued and deferred interest will be due and payable on 1st day of _____, 2055 (“Maturity Date”). On the Maturity Date all of the unpaid principal balance together with accrued, deferred, and unpaid interest of this Note becomes due and payable to the Lender by acceleration or otherwise pursuant to the Loan Documents.
- 4. Borrower shall have the right to prepay this Note, in whole, without penalty, discount, or

premium.

5. Notwithstanding any other section hereof, so long as no Event of Default under the Loan Documents, Land Lease or Declaration, has occurred, Borrower shall not be required to pay the Annual Payments prior to the Maturity Date, and Lender shall not be entitled to be paid on the Note prior to the Maturity Date, except to the extent the Borrower's Net Cash Flow (as defined and in the amounts set forth in Borrower's Amended and Restated Operating Agreement dated as of April 1, 2025 and in the order and priority set forth in Section 10.1A of the Operating Agreement) is available, such amount to be no less than seventy-five percent (75%) of the balance of Net Cash Flow after the first twenty-five percent (25%) of such amount has been paid to the Arizona Department of Housing, a senior lender, per their contemporaneous \$5million loan for the Project. Upon the occurrence of any default, after the applicable notice and cure period, the outstanding balance of all previous City Loan payments become immediately due and payable, in addition to the other remedies provided hereby.
6. The occurrence of any of the following shall constitute an Event of Default under this Note:
 - (i) Subject to Section 5 above, Borrower fails to pay any amount due hereunder within fifteen (15) days of written demand;
 - (ii) any sale, lease, exchange, conveyance, assignment, refinance or other transfer of the Property, except as otherwise permitted in the Loan Documents, without the prior written consent of Lender; or
 - (iii) any violation of the covenants or restrictions set forth in the Declaration.
7. Upon the occurrence of any Event of Default, beyond any applicable notice and cure periods of the Loan Documents, at the option of the Lender, the entire unpaid principal sum, including accrued interest, of this Note shall become immediately due and payable Lender's failure to exercise this option shall not constitute a waiver of the right to exercise such option in any subsequent Event of Default. Lender's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.
8. Lender shall not exercise any right or remedy provided for herein because of any default of Borrower unless, in the event of a monetary default, Borrower shall have failed to pay the outstanding sums within a period of thirty (30) calendar days after the date of the notice that payment was due, or in the event of a nonmonetary default, Lender shall have first given written notice thereof to Borrower, and Borrower shall have failed to cure the nonmonetary default within a period of thirty (30) calendar days after the date of such notice; provided that if the nonmonetary default cannot be cured within thirty (30) calendar days and Borrower proceeds diligently with effort to cure such default until it shall be fully cured within no more than ninety (90) calendar days after the giving of such notice, Lender shall not exercise any right or remedy provided for herein until such ninety (90) day period shall expire. Notwithstanding the foregoing, Lender shall not be required to give any notice or allow any part of the grace period if Borrower shall have filed a petition in bankruptcy or for reorganization or a bill in equity or otherwise initiated proceedings for the

appointment of a receiver of its assets, or if Borrower shall have made an assignment for the benefit of creditors, or if a receiver or trustee is appointed for Borrower and such appointment or such receivership is not terminated within sixty (60) days of such appointment. With respect to any right to cure or cure period provided in this paragraph 8, performance of a cure by an entity or partner of Borrower shall have the same effect as would like performance by Borrower.

9. Borrower and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof, or of any installment hereof, to the release of any party liable for this obligation. Any such extension or release may be made without notice to any of said parties and without in any way affecting or discharging this liability.
10. Borrower shall pay immediately, upon demand, all costs and expenses of Lender, including without limitation reasonable attorney fees, for the collection of this Note upon default. Borrower shall pay immediately, upon demand, all costs and expenses of Lender, including without limitation reasonable attorney's fees, if Lender seeks to have the Property abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.
11. If Lender shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the Property or the title thereto or the interest of the Lender under the Deed of Trust, including without limitation, any form of condemnation or eminent domain proceeding, Borrower shall reimburse Lender immediately upon demand for all costs, charges, and attorneys' fees incurred by Lender in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Property.
12. All payments required under this Note shall be delivered to the Lender at the City of Sedona, 102 Roadrunner Drive, Sedona, AZ, 86336 or such other place as the Lender notifies Borrower in writing.
13. This Note shall be binding upon Borrower, its successors and assigns and shall inure to the benefit of Lender and any subsequent holder of all or any portion of this Note, and their respective successors and assigns. Lender may from time to time transfer all or any part of its interest in this Note and the Loan Documents, without notice to Borrower.
14. This Note shall be construed in accordance with and be governed by the laws of the State of Arizona.
15. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
16. This Note shall be secured by the Deed of Trust encumbering the Property as set forth in paragraph 1 above.

17. This Note is nonrecourse. The obligation described herein is a nonrecourse obligation of the Borrower and its members and neither the Borrower nor its members nor any other party shall have personal liability for repayment hereunder.
18. No amendment, modification, change, waiver, release, or discharge hereof and hereunder shall be effective unless evidenced by an instrument in writing and signed by the party against whom enforcement is sought.

Remainder of Page Intentionally Blank.

IN WITNESS WHEREOF, the undersigned Borrower has executed this Note on the date first written above.

BORROWER:

By: The Villas on Shelby, an Ohio limited
liability company
By: HSDP The Villas on Shelby, LLC
Its: Manager

By: _____
Matthew A. Shoemacher, Manager

Date: _____

LENDER:

CITY OF SEDONA, an Arizona municipal corporation

By: _____
Scott M. Jablow, Mayor

Date: _____

ATTEST:

By: _____
JoAnne Cook, City Clerk

APPROVED AS TO FORM:

By: _____
Kurt W. Christianson, City Attorney

Schedule 1
Debt Service Schedule

Exhibit A

Legal Description

[To be inserted by title company]

Requested By:
When Recorded Return to:
Office of the City Clerk
City of Sedona, Arizona
102 Roadrunner Drive
Sedona, AZ 86336

LEASEHOLD DEED OF TRUST

Effective Date: As of Date of Recording	County and State where Real Property is located: Yavapai County, Arizona
TRUSTOR: The Villas on Shelby, LLC, an Ohio limited liability company 30 S. Oak Street London, OH 43140	BENEFICIARY: City of Sedona, an Arizona municipal corporation 102 Roadrunner Drive Sedona, AZ 86336
TRUSTEE: Fidelity National Title Insurance Company 60 E. Rio Salado Parkway, 11 th Floor Tempe, AZ 85281	Obligation Secured: Promissory Note in the Amount of \$2,250,000
Project Property: 2250 Shelby Drive Sedona, AZ 86336 PROJECT: Villas on Shelby	Project Property (Legal Description): Leasehold interest in certain real property ("Land") located in Sedona, Yavapai County, Arizona, legally described in EXHIBIT A, attached hereto, together with all buildings and other improvements now or hereafter located on the Land.

1. **Conveyance.** Trustor irrevocably grants and conveys to Trustee in trust, with power of sale, the Project Property, subject to existing taxes, covenants, conditions, restrictions, rights of way and easements of record, to be held as security for the payment by Trustor of the Obligations Secured as described on the cover page hereof, and for the performance of other obligations of Trustor as set forth in this Leasehold Deed of Trust (this "Deed of Trust").
2. **Appurtenances.** Trustor grants, together with the Project Property, all buildings and improvements now or hereafter erected thereon and all fixtures attached to or used in connection with the Project Property (including, without limiting the generality of the foregoing, all ventilating, heating, air conditioning, refrigeration, plumbing and lighting fixtures), together with all leases, rents, issues, profits or income therefrom (hereinafter "Property Income"), subject, however, to the right power and authority hereinafter given to Beneficiary to collect and apply such Property Income.
3. **Obligations Secured.** The obligations secured by this Deed of Trust are: a Promissory Note dated of even date herewith in the original principal amount of \$2,250,000.00 made by Trustor in favor of Beneficiary ("Promissory Note"); and the Land Use Restriction Agreement of even date herewith executed by Trustor in favor of Beneficiary in conjunction with this Deed of Trust ("Declaration"). The Ground Lease Agreement signed between Trustor and Beneficiary regarding the Project Property, Promissory Note and Declaration are collectively referred to herein as the "Obligations Secured." Capitalized terms used herein and not otherwise defined have the same meaning as the defined terms as set forth in the Agreement.
4. **Taxes, Assessments and Trust Expenses.** Trustor shall pay, before delinquent, all taxes and assessments affecting the Project Property, all encumbrances, charges and liens, when due, with interest, on the Project Property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this trust and all lawful charges, costs and expenses of any reinstatement of this Deed of Trust following a default.
5. **Fire Insurance.** Trustor shall, at Trustor's expense, maintain in force fire and extended coverage insurance in any amount of not less than the full replacement value of any buildings which may exist on the Project Property with loss payable to Beneficiary. Trustor shall provide fire insurance protection on its furniture, fixtures and other personal property on the Project Property in an amount equal to the full insurable value thereof and promises that any insurance coverage in this regard will contain a waiver of the insurer's right of subrogation against Beneficiary. The amount collected under any insurance policy may be applied to any indebtedness hereby secured and in such order as the Beneficiary may determine, provide that upon request of the Trustor the entire amount so collected or any part thereof shall be released to Trustor for to be applied to the repair and restoration of the Project Property. Such application or release shall not cure or waive any default hereunder or cause discontinuance of any action that may have been or may thereafter be taken by Beneficiary or Trustee because of such default.
6. **Liability Insurance.** Trustor shall, at Trustor's expense, maintain in force policies of liability insurance, with Beneficiary as an additional insured thereunder, insuring Trustor against any claims resulting from the injury to or the death of any person or the damage to or the destruction of any property belonging to any person by reason of Beneficiary's interest hereunder or the use and occupancy of Project Property by Trustor. Such insurance shall be in the following amounts:
 - a. \$1,000,000 against any claim resulting from injury to or the death of any one person.
 - b. \$2,000,000 against any claim resulting from injury to or deaths of any number of persons from any one accident.
 - c. \$1,000,000 against any claim resulting from the damage to or destruction of any property belonging to any person.
7. **Processing of Insurance Policies.** Trustor shall promptly deliver to Beneficiary the originals or true and exact copies of all insurance policies including flood insurance (if required) by this Deed of Trust. Trustor shall not do or omit to do any act which will in any way impair or invalidate any insurance policy required by this Deed of Trust. All insurance policies shall contain a written obligation of the insurer to notify

Beneficiary in writing at least 10 days prior to any cancellation thereof. Failure to maintain all insurance required under any of the Obligations Secured or this Deed of Trust shall be deemed a default and entitle Beneficiary to proceed in accordance with this Deed of Trust for such default.

8. **Indemnification of Trustee and Beneficiary.** Trustor shall defend Trustee and Beneficiary, hold Trustee and Beneficiary, harmless from and indemnify them for any and all claims of any nature whatsoever against Trustee or Beneficiary resulting from their interests hereunder or the acts of Trustor except to the extent that any claim raised by a third party is the result of the gross negligence or intentional misconduct of the Trustee or Beneficiary. Such indemnification shall include reasonable attorneys' fees and costs, including cost of evidence of title.
9. **Right of Beneficiary or Trustee to Pay Obligations of Trustor.** If Trustor fails or refuses to pay any sums due to be paid by it under the provisions of this Deed of Trust, or fails or refuses to take any action as herein provided, then Beneficiary or Trustee shall have the right, but not the obligation, to pay any such sum due to be paid by Trustor and to perform any act necessary. The amount of such sums paid by Beneficiary or Trustee for the account of Trustor and the cost of any such action, together with interest thereon at the lesser of 5% per annum in excess of the rate provided in the Promissory Note or the maximum legal contractual rate per annum, from the date of payment until satisfaction, shall be added to the Obligations Secured, unless otherwise specified by Beneficiary at the time of such payment. No excuse of obligation contained in any of the Obligations Secured shall be applicable to any payments made by Beneficiary or Trustee pursuant to this paragraph. The payment by Beneficiary or Trustee of any such sums or the performance of any such action shall be prima facie evidence of the necessity therefore.
10. **Condemnation.** Subject to the written requirements of any subordination agreement executed by Beneficiary, any award of damages in connection with any condemnation or injury to any of the Project Property by reason of public use or for damages for private trespass or injury thereto are assigned in full and shall be paid to Beneficiary, who shall apply them to the payment of the principal of the Obligations Secured, the interest thereon, and any other charges and amounts secured hereby in such manner as Beneficiary may elect. Any remaining balance shall be paid to Trustor. Beneficiary may, at Beneficiary's option, appeal from any such award in the name of Trustor. Notwithstanding the foregoing, so long as Trustor is not then in material default hereunder or under any Obligations Secured, Beneficiary shall make the proceeds of condemnation available to Trustor upon request for use in repairing and restoring the Project Property; and any excess proceeds remaining shall be applied as provided in the preceding sentences of this Section 10.

Unless Trustor and Beneficiary otherwise agree in writing, any application of such proceeds to principal shall not extend or postpone the due dates of any installment payments of the Obligations Secured or change the amount of such payments.
11. **Affordability.** At all times Trustee shall ensure that the affordability requirements, attached hereto and made a part hereof as Exhibit B, and of the Obligations Secured, are satisfied. Failure to satisfy the affordability requirements under any of the Obligations Secured shall be deemed a default and entitle Beneficiary to proceed in accordance with this Deed of Trust for such default.
12. **Care of Property.** Trustor shall take reasonable care of the Project Property and the buildings thereon and shall adequately maintain the Project Property in good repair and condition as at the date the Project Property shall obtain a certificate of occupancy from City of Sedona, or such jurisdiction with permitting authority over the Project Property, ordinary depreciation excepted. Trustor shall commit or permit no waste and do no act which will unduly impair or depreciate the value of the Project Property. For purposes of this section, adequate maintenance includes (a) removal of debris, salvage, junk cars, trash in and/or around the Project Property; (b) ongoing maintenance of landscaping of premises; and (c) compliance with "good faith effort" to maintain and clean interior and exterior of structure in compliance with the regulations promulgated under 26 U.S.C. § 42. If the Trustor fails to so care for the Project Property, then Beneficiary, at its option, may make or contract for the necessary repairs or remediation necessary to restore the Project Property and, the Trustor shall reimburse Beneficiary for the reasonable cost of such repairs and remediation on a timetable set by Beneficiary. No excuse of obligation contained in any of the Obligations Secured shall be applicable to any payments made by Beneficiary pursuant to this paragraph.

13. **Right to Inspect Project Property.** In addition to any inspection rights otherwise granted to Beneficiary pursuant to the Obligations Secured, at all convenient and reasonable times, upon prior notice to Trustor, Beneficiary or Trustee shall have the right and license to go on and into the Project Property to inspect it in order to determine whether the provisions of the Obligations Secured are being kept and performed. The Trustor agrees and understands that periodic site inspections will be made by Beneficiary.
14. **Event of Default.** In addition to any other items of default identified herein, each of the following shall be considered an event of default ("Event of Default") of this Deed of Trust:
- a. The occurrence of an event of default or breach of any provision of the Promissory Note or any other term of this Deed of Trust after written notice to Trustor and an opportunity to cure such default or breach, or failure of Trustor to pay on demand by Beneficiary any amount for which demand is made on Beneficiary by the U.S. Federal Government arising from the failure by Trustor of the Project Property to comply and is not caused, partially or otherwise by the Trustee or Beneficiary.
 - b. The failure of Trustor to perform any duty or obligation required by the Obligations Secured and such failure continues after applicable cure periods;
 - c. The removal or attempted removal by Trustor of any property included in the Project Property without the consent of Beneficiary other than in the ordinary course of Trustor's business;
 - d. The failure of Trustor to maintain the Project Property in accordance with paragraph 11 above and such failure continues after applicable cure periods;
 - e. Abandonment of the Project Property by Trustor;
 - f. The filing, execution or occurrence of:
 - i. A petition in bankruptcy by or against Trustor which is not dismissed within one hundred twenty (120) days.
 - ii. A petition or answer seeking a reorganization, composition, readjustment, liquidation, dissolution or other relief of the same or different kind under any provision of the Bankruptcy Act which is not dismissed within one hundred twenty (120) days.
 - iii. Adjudication of Trustor as a bankrupt or insolvent, or insolvency in the bankruptcy equity sense.
 - iv. An assignment by Trustor for the benefit of creditors, whether by trust, mortgage or otherwise.
 - v. A petition or other proceedings by or against Trustor for the appointment of a trustee, receiver, guardian, conservator or liquidator of Trustor with respect to all or substantially all its property which petition is not dismissed within one hundred twenty (120) days.
 - vi. Trustor's dissolution or liquidation or the taking of possession of Trustor's property by any governmental authority in connection with dissolution or liquidation.
 - g. Failure to provide reasonable additional assurances requested by Beneficiary or Trustee. For the purpose of this subparagraph, the term "additional assurances" does not include increases in the principal amount, the stated interest rate or reduction in the term of the Obligations Secured.
 - h. The sale, conveyance, transfer or attempted conveyance or transfer, or subjection to a mortgage or deed of trust, whether voluntary, involuntary or by operation of law, of the Project Property or any interest in it, without prior written consent of Beneficiary. Upon any prospective purchaser of the Project Property executing all necessary documents concerning the affordability requirements of the Obligations Secured, and upon Beneficiary being satisfied said prospective purchaser is capable of managing the Project Property to

ensure satisfaction of the affordability requirements of the Obligations Secured going forward, Beneficiary's consent will not be unreasonably withheld, conditioned or delayed. Notwithstanding the forgoing, Beneficiary hereby consents to any refinance of indebtedness on the Property to which the Promissory Note or this Deed of Trust are subordinate, which such refinance will not constitute a default so long as such refinancing is conducted for the sole purpose of loss mitigation or foreclosure prevention, including any refinancing upon redemption or maturity of the existing indebtedness. Any refinance of indebtedness on the Property will be limited to the same amount to which the Beneficiary originally subordinated, and no greater amount without consent. Refinance activity regarding indebtedness on the Property for purposes of "cashing out," equity or that is otherwise not for the purpose of loss mitigation, foreclosure prevention, or retention of the property without the written consent of the Beneficiary is hereby deemed to constitute a default of the Note and Deed of Trust during the duration of the Note.

- i. Notwithstanding anything to the contrary in the Obligations Secured, the following shall not constitute a default under the Obligations Secured or this Deed of Trust (a) the sale, transfer, conveyance or pledge of the investor member's interest in Borrower or any membership interest in an investor member, if any; (b) the right of the investor member to remove and replace the managing member pursuant to the terms of the Operating Agreement; (c) the right of the managing member to acquire the investor member's interest at the end of the credit period and/or compliance period; (d) any amendment to an operating agreement of the Trustor (the "Operating Agreement"), which does not affect the financial terms of the Operating Agreement, and does not otherwise adversely affect the security interest of Beneficiary in the Project Property or Declaration, and (e) the leasing of the Project in the ordinary course of business.
- j. For the avoidance of doubt, any sale, conveyance, transfer or assignment of the Multifamily Housing Revenue Bonds (Villas on Shelby Project), Series 2025A, Series 2025B and Series 2025C (collectively, the "Bonds"), issued by the Arizona Industrial Development Authority (the "Issuer") pursuant to that certain Indenture of Trust by and between the Issuer and U.S. Bank Trust Company, National Association, as bond trustee (the "Bond Trustee"), dated as of roughly even date herewith (as such may be amended, modified or supplemented from time to time, the "Indenture"), made in accordance with the requirements of the Indenture will not require the Beneficiary's consent.

15. **Cure Rights.**

- a. Beneficiary shall give Trustor, the Bond Trustee and any other person identified in paragraph 29 below, simultaneous written notice of any monetary Event of Default occurring under the terms of the Promissory Note prior to exercising any remedies thereunder. Trustor shall have a period of thirty (30) business days after receipt of such notice, or such longer period of time as may be set forth in the Promissory Note, to cure the default prior to exercise of remedies under the Promissory Note or this Deed of Trust. Trustor's investor member shall have the right but not the obligation to cure any event of default hereunder on behalf of Trustor.
- b. Beneficiary shall give Trustor, the Bond Trustee and any other person identified in paragraph 29 below, simultaneous written notice of any non-monetary default or Event of Default occurring under the term of the Obligations Secured, prior to exercising any remedies. Such non-monetary default or Event of Default shall not remain uncured for more than one hundred twenty (120) calendar days. If Beneficiary determines that Trustor has taken and diligently, continually and in good faith continues corrective action and that the non-monetary default or Event of Default cannot be corrected within the 120-day cure period, Beneficiary may, in its sole discretion, allow Trustor such additional time as may be reasonably necessary to cure the non-monetary default or Event of Default before Beneficiary exercises any remedies.
- c. Beneficiary agrees that any cure of any Event of Default described in the Obligations Secured by any person identified in paragraph 29 below, shall be deemed to be cured by Trustor and shall be accepted or rejected on the same basis as if made by Trustor.

- 16. **Acceleration.** In the event of default by Trustor, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice setting forth the nature thereof and of

Beneficiary's election to cause the Project Property to be sold under this Deed of Trust. Beneficiary shall also deposit with Trustee all documents evidencing the Obligations Secured and any expenditures secured hereby.

17. **Trustee's Sale.** Upon receipt of Beneficiary's notice of election to cause the Project Property to be sold, Trustee shall, in accordance with all provisions of law, give Trustor notice of trustee's sale and, after the lapse of the required amount of time, sell the Project Property at public auction, at the time and place specified in the Notice of Trustee's Sale, to the highest bidder of cash in lawful money of the United States, payable at the time of sale. Any persons, including Trustor, Trustee or Beneficiary may purchase at the Trustee's Sale. Trustee may postpone or continue the sale by giving notice of postponement or continuance by public declaration at the time and place last appointed for sale. Upon sale, Trustee shall deliver to the purchaser a Trustee's Deed conveying the Project Property, but without any covenant or warranty, expressed or implied.
18. **Proceeds of Trustee's Sale.** After deducting all costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title in connection with the sale and reasonable attorney's fees, Trustee shall apply the proceeds of sale to payment of all sums then secured hereby and all other sums due under the terms hereof, with accrued interest, and the remainder, if any, to the persons legally entitled thereto or as provided by ARS §33-812 as currently codified or as amended.
19. **Defaults on Prior Encumbrances.** If there are mortgages upon the Project Property or other encumbrances which are prior in time or prior in right, then Trustor promises to comply with the terms of those prior mortgages or encumbrances. If Trustor fails to comply with such terms and defaults on those mortgages or obligations, such default shall also be considered a default of this Deed of Trust, and Trustee or Beneficiary herein may advance the monies necessary to remedy such defaults, and, if it does, such monies shall be added to the Obligations Secured and shall bear the maximum contractual legal rate of interest from the date monies are tendered unless otherwise specified by Beneficiary at the time of such payment. Beneficiary may also proceed on this default by exercising the same remedies it has on this Deed of Trust.
20. **Foreclosure and Other Remedies.** In lieu of sale pursuant to the power of sale conferred hereby, this Deed of Trust may be foreclosed in the same manner provided by law for the foreclosure of mortgages on real property. Beneficiary shall also have all other rights and remedies available hereunder and at law or in equity. All rights and remedies shall be cumulative.
21. **Reinstatement after Default.** Notwithstanding Beneficiary's acceleration of sums secured by this Deed of Trust, Trustor shall have the right to have any proceedings begun by Beneficiary to enforce this Deed Trust discontinued and to have the Deed of Trust reinstated at any time before the day of the Trustee's Sale or before the filing of a foreclosure action. In order to have the Deed of Trust reinstated after default, the Trustor must:
 - a. Pay to Beneficiary the entire amount due under this Deed of Trust and the Obligations Secured, other than such portion of the principal as would not be due had no default occurred;
 - b. Cure all defaults or covenants or agreements of Trustor regarding the Agreement as contained in this Deed of Trust;
 - c. Pay costs and expenses incurred by Beneficiary and Trustee in enforcing the terms of this Deed of Trust and pursuing remedies;
 - d. Pay reasonable attorney's fees actually incurred by Beneficiary and Trustee;
 - e. Pay the recording fee for any cancellation of notice of sale; and
 - f. Pay the Trustee's fees, in an amount not to exceed \$600 or one half of one per cent of the entire unpaid principal sum secured, whichever is greater.

22. Upon reinstatement, this Deed of Trust and the Obligations Secured hereby shall remain in full force and effect as if no acceleration had occurred.
23. **Assignment of Property Income, Right of Entry and Appointment of Receiver.** As additional security, Trustor hereby gives Beneficiary the right, power and authority, during the continuance of this Trust, to collect the Property Income, reserving to Trustor the right, prior to any Event of Default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such Property Income as it becomes due and payable.
24. Upon any such uncured Event of Default and subject to the interest of superior lien holders, Beneficiary may at any time, with notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the Property Income; in its own name sue for or otherwise collect such Property Income, including amounts past due and unpaid; and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, or as otherwise appropriate to preserve Beneficiary's security interest and ensure compliance with the Program, Department Guidance, and Federal Guidance (as those terms are defined in the Promissory Note); and in such order as Beneficiary may determine.
25. The entering upon and taking possession of the Property Income, the collection of such Property Income and the application thereof, shall not cure or waive any default or notice of Trustee's Sale hereunder or invalidate any act done pursuant to such notice.
26. **Acts of Trustee Affecting Project Property.** At any time, with notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Obligations Secured for endorsement, Trustee may, without liability, release and reconvey all or any part of the Project Property, consent to the making and recording, or either, of any map or plat of all or any part of the Project Property; join in granting any easement thereon; join in or consent to any extension agreement or any agreement subordinating the lien, encumbrance or charge hereof.
27. Any such action by Trustee may be taken without affecting the personal liability of any person for payment of the indebtedness secured hereby, without affecting the security hereof for the full amount secured hereby on all property remaining subject hereto, and without the necessity that any sum representing the value or any portion thereof of the property affected by Trustee's action be credited on the indebtedness.
28. **Satisfaction of the Obligation.** If Trustee receives full payment of the Obligations Secured in the amount secured or at the Maturity Date of the Promissory Note, whichever is earlier, at the request of Trustor, Beneficiary or Trustee shall acknowledge satisfaction of the Deed of Trust by recording and delivering to Trustor a Satisfaction or Release of Realty Deed of Trust in accordance with A.R.S. § 33712. However, the Declaration and Assignment of Affirmative Land Use recorded against the Project property shall remain in full force and in effect for the entire duration of its term.
29. **Notices.** Copies of all notices and communications concerning this Deed of Trust shall be mailed to the Parties at the addresses specified in this Deed of Trust. Any change of address shall be communicated to the other Parties in writing. Any documents which may adversely affect the rights of any party to this Deed of Trust shall be dispatched by Certified Mail, Return Receipt Requested. A copy of all foregoing notices and communications shall be mailed to: (i) Raymond James Tax Credit Fund XX L.L.C. c/o Raymond James Affordable Housing Investments, Inc., 880 Carillon Parkway, St. Petersburg, Florida 33716, Attn: Steven J. Kropf, President; and (ii) the Bond Trustee at: U.S. Bank Trust Company, National Association, 111 Filmore Avenue East, EP-MN-WS3C, St. Paul, Minnesota 55107, Attention: Martha Early, E-mail: martha.early@usbank.com.
30. **Headings.** The marginal or topical headings of the provisions herein are for convenience only and do not define, limit or construe the contents of these provisions.
31. **Interpretation.** In this Deed of Trust, whenever the context so requires, masculine gender includes the feminine and neuter, and the singular includes the plural and vice versa.

32. **Applicable Law.** This Deed of Trust shall be subject to and governed by the laws of the State of Arizona, in particular the provisions of ARS Title 33, Chapter 6.1, regardless of the fact that one or more Parties now is or may become a resident of a different state.
33. **Nonwaiver.** The failure of the Beneficiary at any time to require performance of any provision or to resort to any remedy provided under this Agreement, or the Beneficiary's agreement to provide accommodation outside the terms of this Agreement, shall in no way affect the right of the Beneficiary to require contract performance or to resort to a remedy at any time, or to refuse to make accommodation thereafter, nor shall the waiver by any party of a breach be deemed to be a waiver of any subsequent breach. A waiver shall not be effective unless it is in writing and signed by the party against whom the waiver is being enforced. No course of dealing or any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof.
34. **Succession of Benefits.** The provisions of this Deed of Trust shall inure to the benefit of and be binding upon the Parties hereto, their heirs, personal representatives, conservators and permitted assigns.
35. **Successor Trustee.** Beneficiary may appoint a Successor Trustee in the manner prescribed by law. A Successor Trustee herein shall, without conveyance from the predecessor Trustee, succeed to all the predecessor's title, estate, rights, powers and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor.
36. **Entire Agreement.** The terms of this Deed of Trust, the Obligations Secured and attached Exhibit A executed this date constitute the entire agreement among the Parties and the Parties represent that there are no collateral or side agreements not otherwise provided for within the terms of this Deed of Trust.
37. **Time of Essence.** Time is of the essence in this Deed of Trust and every term, condition, covenant and provision hereof.
38. **Modification.** No modification of this Deed of Trust shall be binding unless evidenced by an agreement in writing and signed by all Parties.
39. **Partial Invalidity.** If any provision of this Deed of Trust is held to be invalid or unenforceable all the remaining provisions shall nevertheless continue in full force and effect.
40. **Subordination.** This Deed of Trust, the Contract and the Note are subject that certain Subordination Agreement (as such may be amended, modified or supplemented from time to time, the "Subordination Agreement") dated as of roughly even date herewith, by and among the Trustor, U.S. Bank Trust Company, National Association, as bond trustee, and the Beneficiary.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

TRUSTOR:

The Villas on Shelby, LLC, an Ohio Limited Liability Company
By: HSDP The Villas on Shelby, LLC, an Ohio Limited Liability Company
Its: Manager

By: _____
Matthew A. Shoemaker, Manager

STATE OF OHIO)
) ss.
County of _____)

The foregoing Deed of Trust was acknowledged before me this _____ day of _____, _____, by
Matthew A. Shoemaker, Manager of HSDP The Villas on Shelby, LLC, Manager of The Villas on Shelby,
LLC

Notary Public

My Commission expires: _____

EXHIBIT A- LEGAL DESCRIPTION

Leasehold interest in:

[TO BE PROVIDED BY TITLE COMPANY PRIOR TO RECORDING]

EXHIBIT B– OCCUPANCY RESTRICTIONS AND PROJECT UNIT CHARACTERISTICS

This Attachment describes the specific affordability requirements and occupancy restrictions for the Project required by the applicable program regulations and the project characteristics as described and represented to the City of Sedona. The Project shall be operated and maintained according to the unit mix and with the amenities described herein.

1. Residential Rental Unit Mix. The Villas on Shelby, LLC acknowledges that the Project shall contain 30 total residential rental units (the “Units”).

2. Tenant Income and Rent Restrictions. The Units shall be rented to qualifying tenants at the income levels and the rent limits described below:

The Units must be occupied by low-income households initially earning no more than 60% of the area median gross income adjusted by family size (“60% AMI”) with gross rents not to exceed 30% of qualifying household income, as each is published annually by the Arizona Department of Housing (“ADOH”) for the area in which the Project is located.

- a) For the purposes of determining whether an individual or family remains a low-income household at the 60% AMI level, increases in tenant income are permitted as follows: Any Unit occupied by an individual or family who is at or below 60% AMI at the commencement of occupancy shall continue to be treated as if occupied by a qualifying tenant so long as the qualifying tenant's income does not increase above 140% of the current year applicable income limit. For each qualifying tenant whose income subsequently exceeds 140% of the current year applicable income limit, such qualifying tenant's unit will continue to be treated as if occupied by a tenant with income at 60% AMI so long as during the period of noncompliance each available Unit of a comparable or smaller size is rented to a tenant with income at or below 60% AMI.
- b) Annual Recertification of Tenant Income: The Villas on Shelby, LLC must reexamine the income of tenants living in the Units at least annually. Each recertification must take place on the anniversary of the original income evaluation and lease signing unless the Declarants has adopted an annual schedule to perform all verifications at the same time.
- c) Source Documentation – The City will defer to the LIHTC regulations for the income eligibility of applicants to be determined by examining source documentation which provides evidence of annual income. Household income must be verified by The Villas on Shelby, LLC in accordance with the LIHTC Regulations. The project shall obtain and keep as part of its records the required documentation from the applicant for all units on an annual basis.