

2018 ARIZONA HOUSING FORUM

PRESERVING RENTAL HOUSING WITH BONDS AND 4% LOW INCOME HOUSING TAX CREDITS

Raymond James Public Finance - National Housing Group

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RAYMOND JAMES

SECTION I	Overview of Raymond James
SECTION II	Affordable Multifamily Housing Bond Options
SECTION III	Qualified Opportunity Zone Program

SECTION I

Overview of Raymond James

- Full-service securities firm founded in **1962** and public since **1983** (“RJF” on NYSE)
- Fiscal 2017 net revenue of more than **\$6.3 billion**; net income approximately **\$636 million**
- Total market capitalization of approximately **\$12.2 billion**; client assets under administration **\$693 billion**
- Over **17,000** employees and financial advisors
- **120** consecutive quarters of profitability



GEOGRAPHIC PRESENCE:

- Approximately **3,000** offices throughout the United States, Canada and overseas
- European operations in the United Kingdom, France, Belgium, Germany and Switzerland
- More than **25** North American and international investment banking and institutional sales offices

INVESTMENT BANKING

- More than **330** professionals organized by industry and transaction specialty groups
- Middle-market growth orientation focus
- Since 2013, participated in raising **\$300 billion** in capital for our corporate clients; completed more than **450** advisory assignments

RETAIL BROKERAGE

- Approximately **7,400** financial advisors in **3,000** locations
- Nearly **500** financial advisors in over **100** offices in Canada
- **20** offices in **10** countries internationally

EQUITY CAPITAL MARKETS

- One of Wall Street’s leading equity research efforts with **77** fundamental and technical analysts covering nearly **930** U.S. and more than **360** international companies
- **1,800** active institutional accounts
- Approximately **39%** of institutional equity commissions generated outside the U.S.

RAYMOND JAMES BANK

- **\$20.9 billion** in total assets
- Innovative Banking Services – lending and depository services offered across **50** states
- Letters and Lines of Credit
- Private Banking

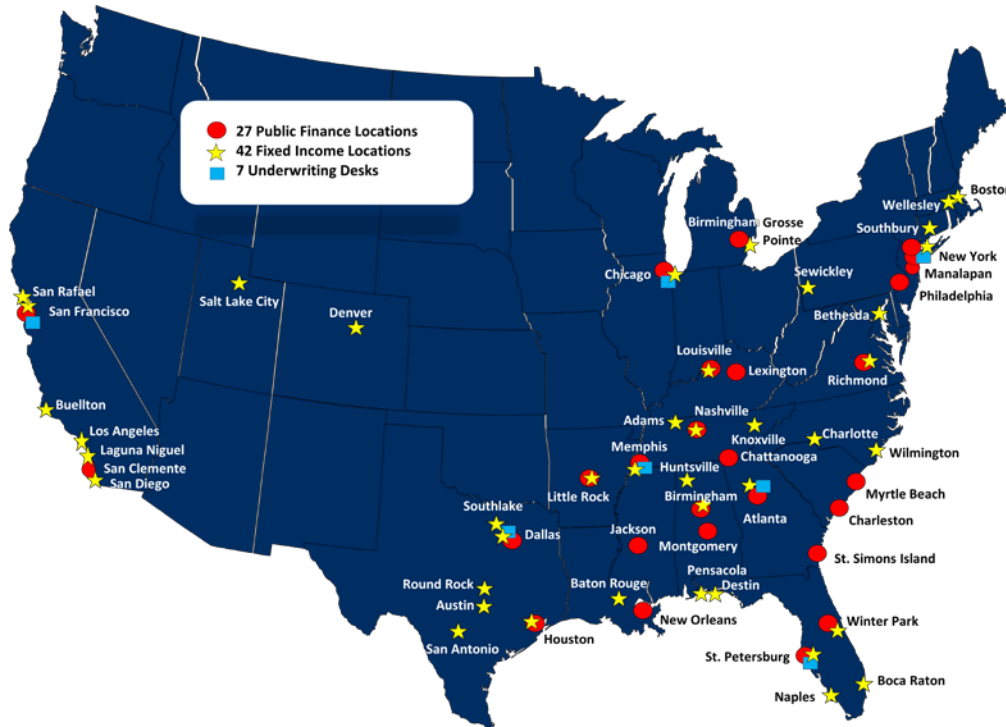
FIXED INCOME CAPITAL MARKETS

- Nearly **200** experienced institutional salespeople servicing more than **3,000** institutional accounts
- Over **150** Fixed Income traders and strategists supporting clients
- **18** municipal underwriters in **seven** underwriting desks across the nation

PUBLIC FINANCE

- Approximately **170** professionals in **27** locations nationwide
- **Top 10 underwriter nationally**
- Senior managed **620** new issues in 2017 with a total par amount of **\$14.5 billion**

NATIONAL PRESENCE



Raymond James Public Finance is consistently ranked as a Top 10 senior managing underwriter nationally*

BY THE NUMBERS:

- 170 Public Finance professionals
- 27 Office locations nationwide
- 350+ Institutional Fixed Income sales and trading professionals
- 7,400 Financial advisors

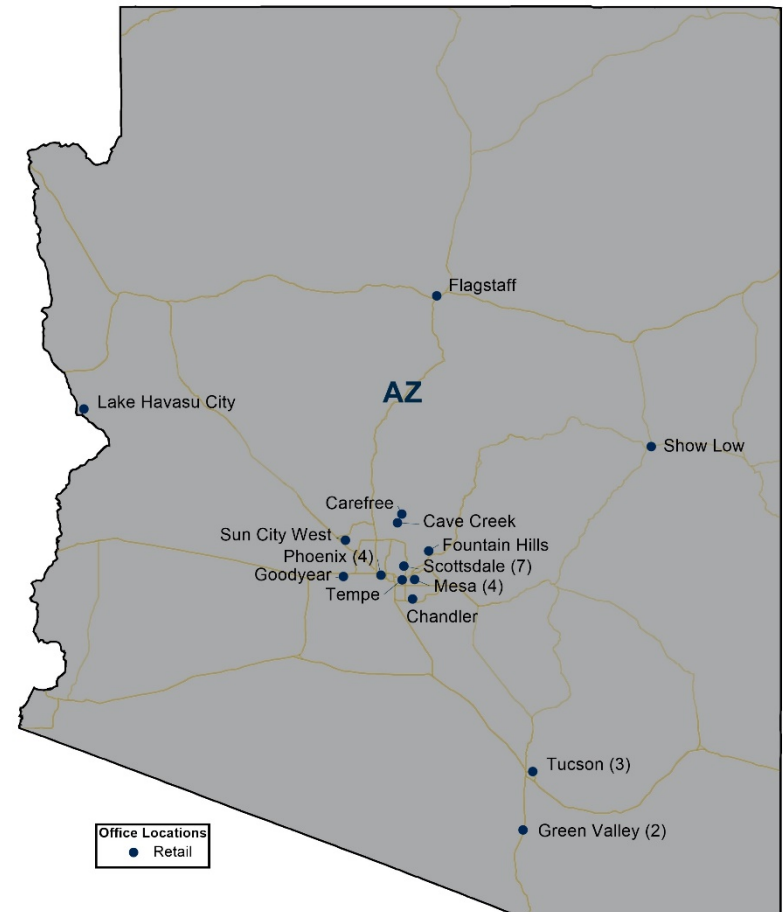
AREAS OF EXPERTISE:

- General Obligation
- Utilities
- Water and Sewer
- Public Power
- Privatized Student Housing
- School Districts
- Special Districts
- Transportation and Aviation
- Non-Ad Valorem Revenues
- Taxable Financings
- Healthcare
- **Housing**
- POBs/OPEB
- Higher Education
- Successor Agencies
- Tobacco Securitization

*Source: Thomson Reuters, based on total par amount (2013-2017)

Raymond James' commitment to Arizona is demonstrated by:

- Having underwritten bonds for 30 Arizona issuers aggregating over \$4.7 billion in total par.
- Ranking as one of the top underwriters of bond issues in the Southwest.
- 35 locations.
- 108 retail brokers covering more than 33,000 accounts with over \$6.2 billion in total assets, focusing specifically on individual Arizona retail investors.
- Arizona clients include:
 - La Paz Industrial Development Authority
 - Phoenix Industrial Development Authority
 - Maricopa Industrial Development Authority
 - City of Phoenix
 - City of Mesa
 - City of Glendale
 - City of Flagstaff



Raymond James affordable housing experience is broad, and dates back to 1969. Areas of focus include:

- Consistently a Top 10 Underwriter of municipal housing issues and expertise in single family and multifamily executions.
- RJ is perhaps the most active **secondary market trader** of HFA's housing bonds in the country. RJ makes a market for every housing bond issue we underwrite, and even those we don't.
- Raymond James Tax Credit Funds, Inc. has been a **leading LIHTC syndicator** since 1986, and is ranked #1 for new syndications since 2014.
- **Our National Housing Group** was Public Finance's first specialty group, formed in the mid-1980's to focus on affordable housing debt financing. RJ never lost its affordable housing focus through the credit crisis. With one of the largest housing groups in the country (16 professionals), we continue to provide ideas and solutions to HFA clients. Clients now include:

Senior Managed State HFAs:

- 12 senior or rotating senior managed accounts:
 - AK, FL, LA, MS, NY, NYCHDC, OK, TN, Texas SAHC, VA, VT, WV

Co-Managed State HFA assignments:

- 22 co-managed single family accounts (AR, CA Vets, CT, DC, DE, GA, IL, KY, ME, MA, MI, MN, MO, NC, ND, NV, PA, RI, SC, Texas, TX Vets, UT)

TBA & “Turnkey” engagements:

- RJ in 2011 was the first investment bank to create and implement a “Turnkey” style single family housing program to eliminate TBA risks to HFA.
 - 9 state HFAs utilize our “Turnkey” program (AK, AR, D.C., FL, LA, MI, MS, NV, and VT).

Since 2016, Raymond James has sole or senior managed more than 50 multifamily conduit bond financings for approximately \$575 million in par amount.

Sample of RJ Senior Managed Multifamily Conduit Bond Financings (2016-2018)								
Issuer	Project Name	Size (\$)	Type of Execution	Ratings	State	Closing Date	Sale Date	
Oklahoma Housing Finance Agcy	Progressive Rural Housing Apartments	4,000,000	Escrow	AA+	OK	2/24/2016	2/17/2016	
Oklahoma Housing Finance Agcy	The New Page	21,000,000	Freddie TEL Structure	NR	OK	3/18/2016	N/A	
HEFB Metro Gov of Nash./David. County, TN	Radnor Towers Apartments Project	17,250,000	Escrow	AA+	TN	4/14/2016	4/5/2016	
Oklahoma Housing Finance Agcy	Savanna Landing Apartments	22,000,000	Escrow	AA+	OK	8/17/2016	8/11/2016	
Broward County Housing Finance Authority	Stanley Terrace Apartments	10,000,000	Escrow (Private Placement)	AA+	FL	9/16/2016	N/A	
Orange County Housing Finance Authority	Goldenrod Pointe Apartments	6,600,000	Long-Term Bank Purchase	NR	FL	9/16/2016	N/A	
IDB of the City of Harriman, TN	Harriman Gardens Apartments Project	9,000,000	Escrow	AA+	TN	10/19/2016	10/13/2016	
Kentucky Housing Corporation	Volunteer Mangement & Dev Portfolio	8,500,000	Escrow	AA+	KY	10/21/2016	10/13/2016	
HEHFB of the City of Chattanooga, TN	Woodlawn Apartments Project	7,500,000	Escrow	AA+	TN	12/7/2016	11/17/2016	
HEHFB of the City of Manchester, TN	Kingwood Arms Apartments Project	7,000,000	Escrow	AA+	TN	11/17/2016	11/3/2016	
Orange County Housing Finance Authority	Westwood Park Apartments	16,500,000	Long-Term Bank Purchase	NR	FL	12/9/2016	N/A	
Washington County Housing Corporation	Northview Village Apartments	4,750,000	Escrow	AA+	TX	1/19/2017	1/12/2017	
Orange County Housing Finance Authority	Vista Pines Apartments	22,000,000	Long-Term Bank Purchase	NR	FL	5/11/2017	N/A	
HEHFB of the City of Jackson, TN	Kingfield South Project	4,000,000	Escrow	AA+	TN	5/11/2017	4/25/2017	
Manatee County Housing Finance Authority	River Trace Apartments Project	23,500,000	Freddie TEL Structure	NR	FL	6/28/2017	N/A	
HEFB Metro Gov of Nash./David. County, TN	Hermitage Flats Apartments Project	25,000,000	Escrow	AA+	TN	7/13/2017	6/28/2017	
Oklahoma Housing Finance Agcy	John H. Johnson Care Suites	16,000,000	Long-Term Bank Purchase	NR	OK	9/12/2017	N/A	
Northwest Georgia Housing Authority	Meadow Lane Apartments Project	10,000,000	Escrow	AA+	GA	12/6/2017	12/20/2017	
Osceola County Housing Finance Authority	Vineland Landings Apartments	17,500,000	Long-Term Bank Purchase	NR	FL	12/7/2017	N/A	
Broward County Housing Finance Authority	The Landings at Coconut Creek	33,000,000	Long-Term Bank Purchase	NR	FL	12/14/2017	N/A	
HEFB Metro Gov of Nash./David. County, TN	Haynes Garden Apartments Project	28,500,000	Escrow	AA+	TN	12/19/2017	12/12/2017	
HEFB Metro Gov of Nash./David. County, TN	Twelfth & Wedgewood Apartments Project	22,000,000	Escrow	AA+	TN	12/19/2017	12/6/2017	
HEHFB County of Montgomery, TN	South Central Village of Clarksville Apts Project	13,000,000	Escrow	AA+	TN	12/19/2017	12/13/2017	
Texas DHCA	Emli at Liberty Crossing	17,600,000	Escrow	AA+	TX	12/20/2017	12/6/2017	
Oklahoma Housing Finance Agcy	Green Rural Development Portfolio	11,870,000	Escrow	AA+	OK	2/28/2018	2/15/2018	
Lee County Housing Finance Authority	Seven Palms Apartments Project	20,400,000	Escrow	NR	FL	2/28/2018	N/A	
Oklahoma Housing Finance Agcy	Windsong Apartments	11,000,000	Escrow	AA+	OK	4/12/2018	4/5/2018	
Oklahoma Housing Finance Agcy	Highland Trails Project	9,000,000	Long-Term Bank Purchase	NR	OK	4/27/2018	N/A	
HEFB Metro Gov of Nash./David. County, TN	Oakwood Flats Apartments Project	25,000,000	Escrow	AA+	TN	4/30/2018	4/20/2018	
HEFB Metro Gov of Nash./David. County, TN	Trevecca Towers I/East Project	40,000,000	Escrow	AA+	TN	7/20/2018	7/12/2018	
HEFB Metro Gov of Nash./David. County, TN	Trevecca Towers II Project	20,000,000	Escrow	AA+	TN	7/20/2018	7/12/2018	
HEFB Metro Gov of Nash./David. County, TN	Dandridge Towers Project	17,000,000	Escrow	AA+	TN	7/24/2018	7/18/2018	

SECTION II

Affordable Multifamily Housing Bond Options

- Borrower/Owner
- Issuer
- Bond Underwriter
- Underwriter's Counsel
- Bond Counsel
- Trustee
- Lender
- Credit Enhancer
- Rating Agency
- Tax Credit Syndicator

Trust Indenture (between Issuer and Trustee)

- The Trust Indenture establishes the “trust estate” which serves as the security for a bond transaction. The “trust estate” may consist of payments made by the borrower under the loan agreement, revenues pledged to the payment of the bonds or any other collateral pledged to the payment of the bonds.
- The Trust Indenture also provides the terms of the bonds, including payment dates, redemption provisions, registration, transfer and exchange, and other basic financial terms.

Tax Regulatory Agreement (between Issuer and Borrower)

- Prepared by Bond Counsel.
- Details certain provisions of the Internal Revenue Code and regulations applicable to tax-exempt multifamily housing revenue bonds.
- May include certain certificates required by the Internal Revenue Code.

Land Use Restriction Agreement (LURA) (between Issuer, Trustee and Borrower)

- Prepared by Bond Counsel.
- Subjects the multifamily real estate to a land use restriction agreement, in which the owner gives up some of their rights of the land use in exchange for the promise of future tax credits.

Preliminary Official Statement (POS) and Official Statement (OS) (between Issuer/Borrower, Underwriter and potential buyers of the bonds)

- Normally prepared by Underwriter's Counsel and signed by the Issuer and/or the Borrower.
- Provides disclosure to investors and potential investors regarding the terms of the bonds, security, risk factors and financial and operating information concerning the Borrower (similar to a stock prospectus).
- The POS is used by the Underwriter to sell the bonds; the OS reflects final pricing details.

Bond Purchase Agreement (between Issuer, Underwriter and Borrower)

- Prepared by Underwriter's Counsel.
- Provides that, upon the satisfaction of certain requirements, the Issuer will agree to issue the bonds following the pricing of the bonds and the execution of the Bond Purchase Agreement.

Other Common Documents

- Loan Agreement
- Mortgage or Deed to Secure Debt
- Credit Enhancement Facility
- Reimbursement Agreement
- Intercreditor Agreement
- Continuing Disclosure Agreement
- Remarketing Agreement
- Various closing certificates

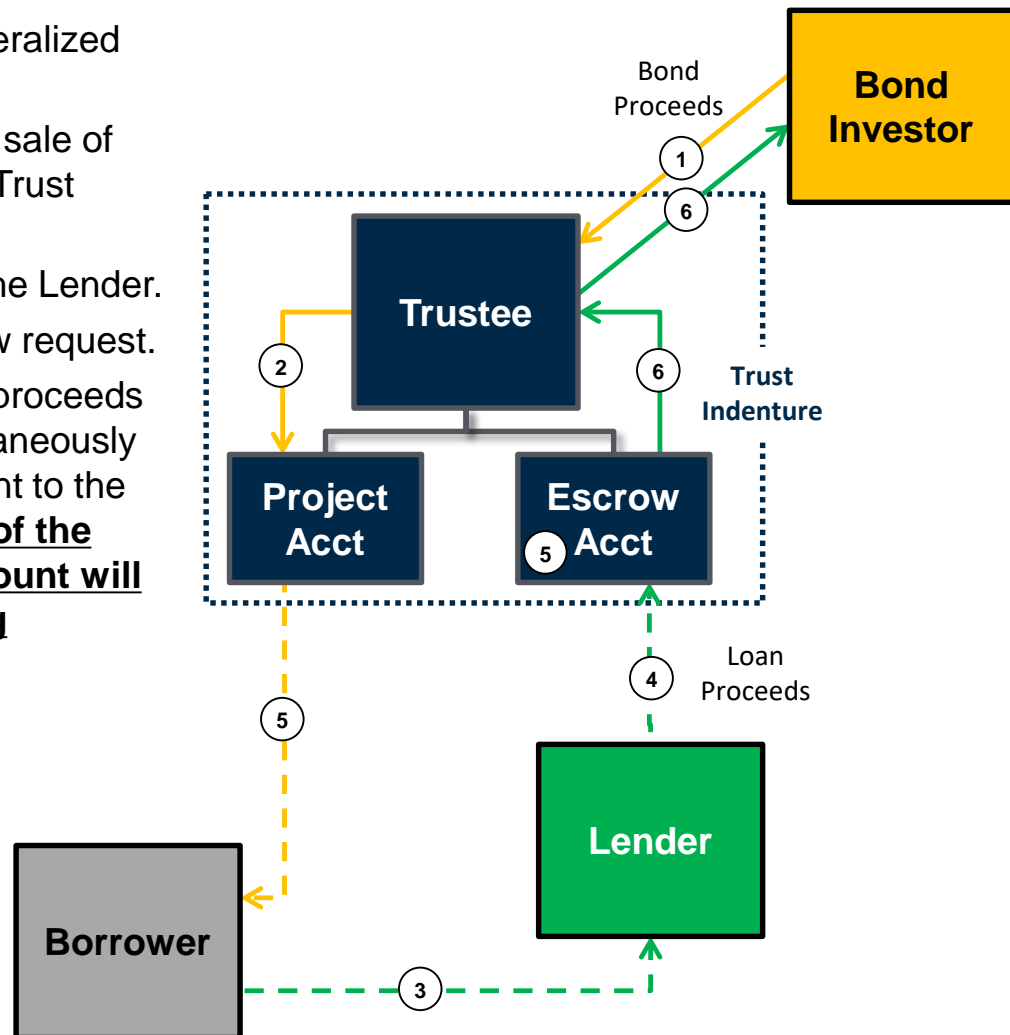
LEADING 4% MULTIFAMILY BOND STRUCTURES

Features	Fannie Mae Bond (MTEBS)	Freddie Mac Tax-Exempt Loan (TEL)	HUD 221(d)4 (Typical Escrow)	HUD 223(f) (Typical Escrow)	Direct Placement Tax-Exempt
LTV:	90%	90%	87% - 90% (LTC)	87% - 90%	Up to 85%
DSCR:	1.15	1.15	1.11 - 1.15	1.11 - 1.15	1.15
Rate Benchmark:	TE Bond Rate (typical: 15-18 years)	10-Year U.S.T.	10-Year U.S.T.	10-Year U.S.T.	MMD
Spread:	1.05% - 1.35% G&S + investor spread (MMD spread) + bond expenses	Immediate: 2.00% - 2.10% Forward: 2.30% - 2.40% + bond expenses	1.70% - 1.90% + MIP (0.25% for >90% LIHTC)	1.15% - 1.30% + MIP (0.25% for >90% LIHTC)	200 - 300 bps (includes issuer, trustee, etc.)
Amortization:	30 - 35 years	35 years	40 years	35 years	Up to 40 years
Term:	15 - 18 years	15 - 18 years (maybe 30)	Construction + 40 years	35 years	End of compliance period (e.g. 18 years)
Pre-Payment Provisions:	MTEBS: Fee maintenance or yield maintenance options available / BCE: Fee maintenance	Yield Maintenance	Negotiable; typically cover first 10 years	Negotiable; typically cover first 10 years	Fee Maintenance
Minimum Loan Size:	No minimum loan size	No minimum loan size	No minimum but typically \$3mm to \$10mm	No minimum but typically \$2mm to \$5mm	\$3mm +/-
Maximum Loan Size:	N/A	N/A	N/A	N/A	Limited by bond volume
Processing Time:	60-75 days	75-100 days	5-8 months assuming expedited processing for tax credit deals	4-5 months assuming expedited processing for tax credit deals	60-120 days

- Escrow Bonds can be used with more attractive conventional or FHA loan products to significantly reduce borrowing costs associated with multifamily projects - financed with 4% low income housing tax credits (“LIHTC”).
 - Particularly attractive for FHA loans or heavily subsidized projects with multiple layers of subsidy being contributed throughout the construction phase.
- Escrow Bonds can be used to satisfy the “50% Test” with respect to LIHTC projects using 4% credits.
- Issuance of short-term tax-exempt bonds collateralized with “AA” - “AAA” securities can assist in:
 - Increasing cash flow;
 - Reducing negative arbitrage; and
 - Reducing/eliminating upfront cash needed at closing.
- Bonds are anticipated to be rated “AA+” (or higher) and are repaid when the project is placed in service.
- Tax Analysis:
 - Bond proceeds used to pay qualified costs (e.g. construction).
 - Bonds are repaid from “cash” collateral.
 - Swap of Bond proceeds from loan proceeds, subsidies, tax credit investments, or other forms of financing.

IS THE ADDITIONAL TIME, EFFORT AND EXPENSE (BOND COSTS OF ISSUANCE) FOR MULTIFAMILY ESCROW BONDS WORTH THE VALUE OF THE EQUITY RECEIVED THROUGH THE 4% LIHTC?

1. Bond Investor purchases the Collateralized Revenue Bonds (“CRBs”).
2. Trustee deposits proceeds from the sale of CRBs in the Project Account of the Trust Indenture.
3. Borrower makes draw requests to the Lender.
4. Lender releases funds equal to draw request.
5. Trustee deposits the Lender’s loan proceeds into the Escrow Account and simultaneously releases funds in the Project Account to the Borrower. **The combined balance of the Project Account and Escrow Account will never drop below the outstanding principal amount of CRBs.**
6. After the ‘placed-in-service’ date, the Trustee retires the CRBs with amounts held on deposit in the Escrow Account.



Sources of Funds

HUD 221(d)(4) Loan	\$23,418,000
Project Income	2,182,596
Tax Credit Investor Equity Contribution	13,715,573
Negative Arbitrage Advance ¹	48,319
Insurance Proceeds	930,668
Non-profit Equity Contribution	1,250,000
Deferred Developer Fee	1,308,544
Total	\$42,853,700

Uses of Funds

Acquisition of the Project	\$15,750,000
Hard Rehabilitation Costs	15,461,545
Other Development Costs	6,676,703
Deposit to Negative Arbitrage Account ²	48,319
Developer Fee	3,925,000
Reserves	992,133
Total	\$42,853,700

SAMPLE Costs of Issuance

_____ State HFA Collateralized Multifamily Housing Bonds
 _____ Apartments, Series 2018

<u>Sample Costs of Issuance</u>			
		(USD)	(USD/Bond)
Par Amount		\$ 10,000,000.00	
Cost of Issuance			
Takedown - <i>Bond Underwriter</i>	\$ 5.750	\$ 57,500.00	\$ 5.750
Underwriter's Expenses		4,572.00	0.457
Gross Underwriter's Spread		62,072.00	6.207
Other Estimated Cost of Issuance ⁽¹⁾		125,000.00	12.500
Total Cost of Issuance		187,072.00	18.707

(1) Other Estimated Cost of Issuance - Detail

Bond Counsel		\$ 50,000.00	\$ 5.000
Underwriter/Disclosure's Counsel		25,000.00	2.500
Issuer - Application Fee		3,000.00	0.300
Issuer - <i>Closing Fee</i>	0.0200	2,000.00	0.200
Issuer - <i>Administrative Fee (Annual)</i>	0.0975	9,750.00	0.975
Issuer's Counsel		15,000.00	1.500
Rating Agency		5,000.00	0.500
Trustee Fee		7,000.00	0.700
Trustee's Counsel		4,000.00	0.400
Official Statement Printing		2,250.00	0.225
Verification Agent		2,000.00	0.200
Total Other Estimated Cost of Issuance		125,000.00	12.500

SECTION III

Qualified Opportunity Zone Program

The Opportunity Zone program was introduced in the Tax Cuts and Jobs Act of 2017. Through a community development tax incentive for private investors, this program is intended to incentivize economic growth and development in certain low-income communities which have been designated as Qualified Opportunity Zones.

- Designed to drive long-term capital to rural and low-to-moderate income urban communities throughout the nation.
- Uses tax incentives to encourage private investment through impact funds.
- Governed by IRC Section 1400Z-1 and 1400Z-2.
- Awaiting Treasury regulations to clarify implementation (expected fall 2018).

Qualified Opportunity Zones are designated census tracts that have a poverty rate of at least 20%, a median family income not greater than 80% of the area median and been recommended by the governor of the respective state. These zones are typically a subset of LIC’s eligible for New Market Tax Credits.

- States designated QOZ’s by March 21, 2018. Identified QOZ’s can be found on the CDFI website at <https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx>.
- The QOZ designation expires at the close of the 10th calendar year following the date of designation.

The Opportunity Zone program encourages investment in these QOZs through two main tax incentives. The first incentive allows a taxpayer to defer the inclusion in gross income of capital gains that are invested in a **Qualified Opportunity Fund** or “**QOF**.” The second incentive allows a taxpayer to exclude from gross income qualifying capital gains on investments in QOFs.



1. Temporary Deferral of Tax on Reinvested Original Capital Gain

- A taxpayer may defer a capital gain derived from the sale of existing property if the gain is invested in a QOF within 180 days following the sale date.
- Gains may be the earlier of deferred until the earlier of the investment in the QOF is terminated or 12/31/2026.
- A cash payment of the original capital gains is due no later than the tax year of 12/31/2026.

2. Step-up in Basis for Reinvested Original Capital Gain

- If the taxpayer maintains its investment in a QOF for at least 5 years, the original investment gain basis will be increased 10%.
- If the taxpayer maintains its investment in a QOF for at least 7 years, the original investment gain basis will be increased 15% (an additional 5%).
- Investors will need to invest in a QOF by 12/31/2019 in order to maximize the step-up in basis.

3. Deferral of Tax on Capital Gain on Investment in a QOF

- The capital gains on the QOF investment are permanently excluded from gross income if the QOF investment is held for at least 10 years.

Investment Length	Benefits Received
Fewer than 5 years	Deferred payment of existing gains until the earlier of the Opportunity Fund investment is sold/exchanged or 12/31/2026
5 - 7 years	Deferred payment of existing gains and original basis is increased 10%
7 - 10 years	Deferred payment of existing gains and original basis is increased 15%
Greater than 10 years	Benefits of 7-10 year investment + investors pay no capital gains tax on the Opportunity Fund investment

1. Increased Capital for Project

- The Borrower is able to increase new project funding as new investments are not reduced by capital gain tax payments.

2. Access to Outside Equity

- By some estimates, U.S. investors and corporations hold approximately **\$6 trillion** in unrealized capital gains, representing a significant untapped resource for economic development.
- Opportunity Funds will allow these investors throughout the country to deploy their resources as Opportunity Zone investments.

The information contained herein is solely intended to facilitate discussion of potentially applicable financing applications and is not intended to be a specific buy/sell recommendation, nor is it an official confirmation of terms. Any terms discussed herein are preliminary until confirmed in a definitive written agreement. While we believe that the outlined financial structure or marketing strategy is the best approach under the current market conditions, the market conditions at the time any proposed transaction is structured or sold may be different, which may require a different approach.

The analysis or information presented herein is based upon hypothetical projections and/or past performance that have certain limitations. No representation is made that it is accurate or complete or that any results indicated will be achieved. In no way is past performance indicative of future results. Changes to any prices, levels, or assumptions contained herein may have a material impact on results. Any estimates or assumptions contained herein represent our best judgment as of the date indicated and are subject to change without notice. Examples are merely representative and are not meant to be all-inclusive.

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