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October 21, 2013

Sally Oglesby  
City of Crossville  
P.O. Box 1176  
Crossville, Tennessee 38557

Re: Public Hearing and Approval Request for Beverly Hills Apartments

Dear Mrs. Oglesby:

We have been retained to serve as Bond Counsel in connection with the proposed issuance of bonds (the "Bonds") by The Health, Educational and Housing Facilities Board of Sevier County, Tennessee (the "Authority") to Hallmark Beverly Hills, LLC, a Georgia single member limited liability company (the "Borrower") in acquiring Beverly Hills Apartments, located at 50 Beverly Hills Circle, Crossville, Tennessee 38555 (the "Project"). The Borrower intends to acquire, rehabilitate and improve the Project for the benefit of current and future tenants.

The Borrower is a single purpose entity indirectly controlled by Hallmark GP Holdings, LLC (the "Sponsor"). The principals of the Sponsor have over 35 years of experience in the ownership and operation of affordable rental housing. Peck Shaffer is a national law firm that specializes in providing services in connection with the issuance of tax-exempt bonds to finance communities such as the Project.

The Borrower has requested the Authority issue the Bonds because of the need to: (i) finance multiple multifamily projects under one financing, (ii) standardize the documentation process, (iii) streamline the issuance of the Bonds and (iv) create soft cost savings (including the cost of issuance of the Bonds) for the Borrower. The Authority is authorized to serve as a statewide issuer for developments such as the Project pursuant to Chapter 101, Part 3 of Title 48, Tennessee Code Annotated (T.C.A. §48-101-301 *et seq.*) as amended, (the "Code") and has approved an inducement resolution providing the preliminary approval for the issuance of the Bonds for the benefit of the Project. The Authority's issuance of the Bonds is subject to the consent of the governing body of the jurisdiction in which the Project is located.

In order for private borrowers to take advantage of the low interest rates afforded them through the issuance of federally tax-exempt revenue bonds, they must first demonstrate that a governmental entity having jurisdiction over the project has held a public hearing and approved of the issuance of the bonds. The process, named after the federal Tax Equity and Fiscal Responsibility Act of 1986 ("TEFRA"), is simply a means to provide the public the opportunity to comment on the bond issuance and does not make the government entity holding the TEFRA

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hearing liable in any way for the bonds or their issuance. The payment of the Bonds will be the sole responsibility of the Borrower.

Crossville, Tennessee (the "City") has no legal responsibility whatsoever for the repayment of the indebtedness created by the issuance of the Bonds. Furthermore, the City will not be a party to any of the financing documents relating to the issuance of the Bonds, nor will the City be named in any of the disclosure documents describing the Bonds.

Since the Project is located within the City, the City holds the most direct jurisdictional oversight over the Project. Therefore, it appears that the City would be the most appropriate entity to engage in the TEFRA process. We respectfully request that the City consider doing so.

The TEFRA process consists of a publicly noticed hearing and a subsequent approval for Authority to issue the Bonds. A TEFRA hearing must be noticed fourteen (14) days prior to the date of the hearing and may be held in coordination with a regularly scheduled meeting of the City or by an individual authorized by the City to do so.

Enclosed herewith is a notification of public hearing (the "TEFRA Notice") which has been drafted to meet the requirements of the Code. We are prepared to publish the TEFRA Notice, which must be published in a newspaper of general circulation at least fourteen (14) days prior to the public hearing described in the notice (the "TEFRA Hearing"). During the TEFRA Hearing interested persons must be given an opportunity to participate. The TEFRA Hearing may be conducted together with a regularly scheduled meeting of the City's legislative body or held separately. Also included with this letter is a draft resolution which is intended to evidence the City's approval of the issuance of the Bonds by the Authority.

In addition to issuing the bonds for the purpose of financing the Project, the proceeds of the Bonds will also be used to finance rental housing communities described in *Exhibit A* attached hereto. As such we will also seek approval from those local governments.

If you have any questions regarding the Bonds, the TEFRA Notice, the TEFRA Hearing or the draft resolution, please do not hesitate to contact me.

Very truly yours,

  
Lewis Diaz