

NOTICE OF EVENT OF DEFAULT

To the Holders of

\$59,980,000

**Illinois Finance Authority
Multifamily Housing Revenue Bonds
(Windy City Portfolio Project)**

Consisting of:

**\$49,630,000 Series 2017A-1
\$2,355,000 Taxable Series 2017A-2
\$7,995,000 Subordinate Series 2017B**

CUSIP Numbers:

Series 2017A-1	Taxable Series 2017A-2	Subordinate Series 2017B
45202LBQ6	45202LBT0	45202LBU7
45202LBR4		
45202LBS2		

FOR INFORMATIONAL PURPOSES ONLY

THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE BENEFICIAL OWNERS OF THE SUBJECT SECURITIES. ALL DEPOSITORIES, CUSTODIANS, AND OTHER SUCH INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO EXPEDITE RE-TRANSMITTAL TO SUCH BENEFICIAL OWNERS IN A TIMELY MANNER.

Reference is made to that certain Trust Indenture dated as of November 1, 2017 (the “Indenture”), by and between the Illinois Finance Authority (the “Issuer”) and Wilmington Trust, National Association (“WTNA”), as trustee (in such capacity, the “Trustee”). Unless otherwise defined in this notice, all capitalized terms in this notice shall have the meanings given them in the Indenture.

In connection with the above-referenced bonds (collectively, the “Bonds”), the Trustee hereby notifies you that 2017 IAVF Windy City Fox Run LLC, 2017 IAVF Windy City Parkside LLC, 2017 IAVF Windy City Shaddle LLC and 2017 IAVF Windy City Villabrook LLC, each a Florida limited liability company (each a “Borrower” and collectively, the “Borrowers”) have failed to comply with certain covenants set forth in (i) that certain Loan Agreement dated as of November 1, 2017 (the “Loan Agreement”), between the Issuer and the Borrowers. Proceeds of the Bonds were used to finance the acquisition, rehabilitation and equipping of (i) a 220-unit multifamily residential rental housing facility located in the City of St. Charles, Illinois (“Fox Run Apartments”; (ii) a 120-unit multifamily residential rental housing facility located in Glen Ellyn, Illinois (“Parkside Apartments”; (iii) a 70-unit multifamily residential rental housing facility located in Mundelein, Illinois (“Shaddle Apartments”); and (iv) a 118-unit multifamily residential rental housing facility located in Addison, Illinois (“Villabrook Apartments” and, collectively with Fox Run Apartments, Parkside Apartments, and Shaddle Apartments, each a “Project” and, collectively, the “Projects”).

Each Project is encumbered by (i) one of four Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filings, each dated November 21, 2017, from the Borrowers in favor of the Trustee, as secured party (collectively, the “Mortgages”) and (ii) a Tax Regulatory Agreement dated as of November 21, 2017, among the Borrowers, the Trustee and the Issuer (the “Tax Regulatory Agreement”).

NOTICE OF DEFAULT

The Borrowers have failed to comply Section 4.5 of the Loan Agreement which requires the Borrower to fix, charge and collect rents and charges in order to achieve the required Debt Service Coverage Ratio (together, the “Coverage Test”). In connection with this failure, none of the Borrowers has retained a Management Consultant to prepare recommendations with respect to operation of the Projects in accordance with the requirement set forth in Section 4.6 of the Loan Agreement.

Pursuant to Section 7.2 of the Loan Agreement, the Borrower may correct any of defaults described herein with respect to the Loan Agreement (**except with respect to a failure to meet the Coverage Test if no Management Consultant is appointed, in which case no cure period is allowed**) within forty-five (45) days of receiving a notice from the Trustee or the Issuer of such default (the “Initial Loan Agreement Cure Period”).

Therefore, an Event of Default pursuant to Section 8.01(d) of the Loan Agreement is being declared and any further release of funds from the Indenture shall be in accordance with the provisions of Section 8.11 of the Indenture.

NOTICE OF PAYMENT DEFAULT

As a result of the restriction on the release of funds created by the Event of Default noted above, the debt service payment due to the Holders on December 1, 2019 was not paid. While this non-payment would also create an Event of Default pursuant to the terms of Section 8.01(a)(1), 8.01(a)(2), 8.01(b)(1) and 8.01(b)(2) of the Indenture, the Event of Default under 8.01(d), combined with these defaults, triggers the remedial provision set forth in the Indenture, which provide that the Trustee may, and at the written request of the Controlling Holders of the Bonds shall, declare the outstanding principal balance and all interest accrued on the Loan and all payments required to be made by the Borrowers immediately due and payable.

NOTICE OF OTHER COVENANT DEFAULTS

As reported by Assurance Dimensions in their December 31, 2018, Combined Financial Statements and Auditors Report, Windy City Apartments Project (the “Auditor’s Report”) the Borrowers were delinquent in paying \$1,473,814 in property taxes on the Projects, including accrued interest and other fees. Since December 31, 2018, the Borrowers have not paid down the entirety of those outstanding property taxes. In addition to those property taxes unpaid as of December 31, 2018, the Borrowers have since accrued additional property taxes that have also gone mostly unpaid. Find below a summary of those property taxes due for each Project as of the date of this notice.

<u>Project</u>	<u>Delinquent Property Taxes</u>
Parkside Apartments	\$277,565.48
Villabrook Apartments	\$117,498.29
Shaddle Apartments	\$126,397.90
Fox Run Apartments	\$571,392.59

The Borrower’s failure to pay accrued property taxes, penalties and fees resulted in the sale of each Project’s tax-burden at respective tax sales. While the property taxes for each Project have been sold, Borrowers may still redeem the tax sales by paying off all property taxes currently due. **The failure to pay property taxes before they are delinquent is an immediate default with the requirements of the Loan Agreement.** As a result, according to the provisions of the Loan Agreement, the Trustee may, and at the written request of the Controlling Holders of the Bonds shall, declare the outstanding principal balance and all interest accrued on the Loan and all payments required to be made by the Borrowers immediately due and payable.

Based on the Trustee’s first-hand knowledge the Borrowers are also not in compliance with several other covenants and requirements including (i) the failure to fund accounts provided in Sections 3.2(b)(ii) of the Loan Agreement, and (ii) the failure to maintain property insurance and liability insurance as required pursuant to Section 5.2 of the Loan Agreement.

Based upon the information set forth in the Auditor’s Report and other information made available to the Trustee, the Trustee believes the Borrowers have failed to comply with the following covenants within the Loan Agreement:

- (a) The Borrower has failed to comply with covenants set forth in Sections 2.2(e), 4.5, 4.6, 4.10(a) and 5.1 of the Loan Agreement relating to:
 - (i) Actions before or by any court or federal, state, municipal or other governmental authority affecting the Borrowers or the assets, properties or operations of the Borrowers which, would have a material adverse effect upon the financial condition, assets, properties of the Borrowers required by Section 2.2(e) of the Loan Agreement;
 - (ii) Meeting the Coverage Test in the Fiscal Year ending on December 31, 2018 required by Section 4.5 of the Loan Agreement;
 - (iii) Paying, prior to delinquency, all real property taxes which create a lien upon the Projects, or any part thereof (all taxes, assessments and other governmental and non-governmental charges of like nature are referred to as “Impositions”) required by Section 4.6 of the Loan Agreement;
 - (iv) Depositing with the Trustee amounts sufficient to pay the annual Impositions as set forth in the Budget to be next due on the Projects, in accordance with the provisions of the Indenture required by Section 4.10(a) of the Loan Agreement; and

- (v) The procurement and maintenance of policies of insurance required by Section 5.1 of the Loan Agreement.
- (b) The Borrower has failed to comply with covenants set forth in Section 2 of the Mortgages relating to the payment, prior to delinquency, of all annual real estate taxes.
- (c) To the best of its knowledge, the Trustee believes that the Borrower has failed to keep the Property and the Projects free from all adverse claims, security interests, and encumbrances as required by Sections 3.8, 3.10, 3.11, and 4.10 of the Loan Agreement, Sections 4, 8 and 23(e) of the Mortgages, and Sections 2.02 and 5.04 of the Tax Regulatory Agreement. The Trustee has been informed that there are tax delinquencies on parcels within the portfolio, and those delinquencies have been described herein, but has been unable to ascertain from the Borrower the current status of all tax impositions, delinquencies, liens and sales thereof.

CURE PERIODS

The various covenant defaults described above are subject to different cure periods under the various documents before such defaults are considered a “Default” or an “Event of Default,” thereby triggering the Trustee’s right to pursue remedies under the respective documents.

If a default cannot be corrected within the Initial Loan Agreement Cure Period, then the Borrower will have up to one hundred twenty (120) days after the occurrence of such default to take corrective action, *provided, however, that this extended cure period is only available if the Borrower initiates and diligently pursues appropriate corrective action during the Initial Loan Agreement Cure Period.*

Pursuant to Section 23(h) of each Mortgage, the Borrower may correct any of the defaults described above with respect to the Mortgages within thirty (30) days of after written notices is given to Borrowers specifying such failure and directing that it be remedied (the “Initial Mortgage Cure Period”). If a remedy cannot reasonably be accomplished to correct any such Mortgage-related default within the Initial Mortgage Cure Period, then the Trustee, as agent for the Lender, will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Borrowers during the Initial Mortgage Cure Period.

Pursuant to Section 6.05 of the Tax Regulatory Agreement, the Borrower does not have the right to any cure period in which it can correct an Event of Default under the Tax Regulatory Agreement.

Upon a Default or Event of Default under any of the Loan Agreement, the Mortgages or the Tax Regulatory Agreement, the Trustee may exercise certain remedial rights and remedies as provided thereunder, including, but not limited to, acceleration on the Bonds and foreclosure of the Projects. Further, any Default or Event of Default under the Loan Agreement, the Mortgages or the Tax Regulatory Agreement, will constitute an Event of Default under Section 8.01(d) of the

Indenture, which will also trigger the Trustee's right to pursue remedies under the Indenture. Specifically, pursuant to Section 8.02 of the Indenture, the Trustee may declare the Bonds to be immediately due and payable. Pursuant to Section 8.05 of the Indenture, the Holders of the majority in aggregate principal amount of the then Outstanding Senior Bonds (the "Controlling Holders") have the right to direct the time, method and place of conducting all remedial proceedings available to the Trustee. *Please be advised that the foregoing is subject to Section 9.06 of the Indenture, pursuant to which the Trustee will be under no obligation to take any action that may tend to involve it in expense or liability, unless furnished with security and indemnity satisfactory to the Trustee.*

In light of the current outstanding covenant defaults and payment default, and in anticipation of potential future Events of Default, the Trustee is requesting the Controlling Holders to provide direction on whether, when and how the Controlling Holders want the Trustee to pursue available remedies or take any other action permitted under the Indenture, the Loan Agreement, the Mortgages, or the Tax Regulatory Agreement. Please note, however, that at this time, the Trustee intends to take no action unless directed by the Controlling Holders and provided with such adequate security and indemnity as provided by the Indenture.

THIS NOTICE IS WITHOUT PREJUDICE AND DOES NOT AND WILL NOT WAIVE ANY RIGHT OR REMEDY THAT THE TRUSTEE MAY HAVE AS OF THE DATE HEREOF OR IN THE FUTURE, ALL OF WHICH ARE HEREBY RESERVED.

Holders with questions regarding this notice should refer directly to all postings regarding this issue on <https://emma.msrb.org>. Please note that the Trustee will be directing any inquiries on this notice to the postings on EMMA.

The Trustee may conclude that a specific response to particular inquiries from individual Holders is not consistent with equal and full dissemination of information to all Holders. Holders should not rely on the Trustee as their sole source of information. Please note that the foregoing is not intended and should not be construed as investment, accounting, financial, legal or tax advice by or on behalf of the Trustee or their directors, officers, agents, attorneys or employees. Each Holder receiving this notice should seek the advice of its own advisers in respect of the matters set forth herein.

**WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee**

Dated: December 6, 2019

Note: CUSIP numbers appearing herein have been included solely for the convenience of the Holders. WTNA assumes no responsibility for the selection or use of such number and makes no representation as to the correctness of the CUSIP numbers listed above.