

MILACA CITY COUNCIL AGENDA
AUGUST 18, 2016

6:30

Call meeting to order
Roll Call

Consent Agenda

Minutes of the July 19 regular meeting
Bills for payment
Resolution No. 16 – 23 Police PERA
City Treasurer's Report

Citizens Forum

Public Hearing

Grandview Christian Home – Conduit financing

Requests and Communications

City engineer letter

Ordinances and Resolutions

Resolution No. 16 – 24 Bond refunding – Grandview Christian Home
Ordinance No. 420 Opting out zoning

Reports of Boards and Commissions

Planning commission
Economic Development commission
Airport commission
Parks commission
MCAT

Unfinished Business

Prior month citizen forum comments – NW traffic
Old water tower

New Business

Special event application – First National Bank
Temporary Liquor license – Jiggers

Council Comments

Adjourn

MILACA CITY COUNCIL MINUTES
JULY 19, 2016 MEETING

The regular meeting of the Milaca City Council was called to order at 6:30 p.m. by Mayor Harold Pedersen. Upon roll call the following Council members were present: Dillan, Johnson, and Gahm. Council member Muller was absent.

Staff present: Lerud, Gann-Olehy, Toven

Others present: Jeff Hage, Jim and Lois Hendrickson, Faye Thayer, Janis Lee, Dan Hollenkamp, Patrick Gillespie, Scott Denham, LeRoy Dalchow, and Jeff Hansen.

Motion by Johnson, second by Gahm to approve the consent agenda:

1. Minutes of the June 14 regular meeting.
2. General bills, 816133E-816138E, 816166E, #42339-42343, #42400-42415, #42421-42492, totaling \$28429.88; Liquor bills, 916021E-916025E, #23697-23712, #23726, #23744-23760, totaling \$229,733.08.
3. RESOLUTION NO. 16 – 14 POLICE OFFICER DESIGNATION (entire text appears in Resolution book.)
4. RESOLUTION NO. 16 – 15 RESOLUTION ASSESSING UNPAID WATER/SEWER BILLS (entire text appears in Resolution book.)
5. RESOLUTION NO. 16 – 16 RESOLUTION ASSESSING MOWING COSTS (entire text appears in Resolution book.)
6. RESOLUTION NO. 16 – 17 A RESOLUTION ASSESSING UNPAID FIRE DEPARTMENT CHARGES FOR SERVICE (entire text appears in Resolution book.)
7. City Treasurer's report.

All present voted in favor.

Mayor Pedersen invited anyone to speak to an item not on the agenda during citizen's forum. Lois Hendrickson said she and other residents in their neighborhood have come to the meeting to express their concerns about traffic in the NW part of the city. The concerns on the list were vehicles traveling at a high rate of speed, noisy vehicles, and inappropriate vehicles in the residential area. Fay Fayer said she moved back to Milaca and the loud vehicles are a big problem with a great deal of unnecessary revving of engines. Leroy Dalchow said there needs to be increased patrols, and there had been a number of thefts in the neighborhood.

Mayor Pedersen urged the residents to call 911 when these incidents occur. Jeff Hansen said he was at a council meeting last fall, and it did get a little better after that, but now with the warmer weather the speed and noise of the traffic has increased. He said there was a particular address on 7th Street that has very loud motorcycles.

Lerud said he and Police Chief Quaintance have discussed a portable radar display unit that could be moved around. He said the software will track speed and give the police an idea of the speed problem. Lerud said he would also look into the truck route signage to make sure that signs were posted that made sure people understood that the truck route on 3rd Avenue ended at 2nd Street NW.

No one else came forward for citizen's forum.

Mayor Pedersen opened the public hearing regarding 460 2nd Avenue NE. Patrick Gillespie, attorney for the property owner, Scott Denham, said that the insurance company has denied coverage, so they have filed suit. He said that he hoped the issue would be resolved by the end of the year and requested the City Council give them time to resolve the matter with the insurance company. Lerud said it was staff's recommendation that the city proceed with the hazardous declaration now, but hold on filing it until there was a resolution to the matter between Denham and the insurance company. If the city waited to make the determination, then it could be another five months until something could be done in the event the legal process did not work out in Denham's favor. Gillespie said he appreciated the city waiting to file it. Mayor Pedersen said he thought that was the council's position from the discussion at the last meeting to wait for their legal process to conclude and then take action if it was necessary.

City attorney Toven went through the legal procedure for filing the hazardous building determination.

There were no other comments.

Mayor Pedersen closed the public hearing.

The state demographer's population estimate for 2015 is 2,914.

Council member Dillan offered Resolution No. 16 – 18 and moved for its adoption, second by Johnson

RESOLUTION NO. 16 – 18

RESOLUTION DECLARING A HAZARDOUS BUILDING LOCATED AT 460 2ND AVENUE NE, MILACA, MN
56353

(entire text appears in Resolution book)

All voted in favor.

Council member Gahm offered Resolution No. 16 – 19 and moved for its adoption, second by Johnson

RESOLUTION NO. 16 – 19

A RESOLUTION REQUESTING STREET CLOSURE

(entire text appears in Resolution book)

All present voted in favor.

Council member Dillan offered Resolution No. 16 – 20 and moved for its adoption, second by Johnson

RESOLUTION NO. 16 – 20
RESOLUTION APPOINTING ELECTION JUDGES AND DESIGNATING POLLING HOURS AND LOCATION
(entire text appears in Resolution book)

All present voted in favor.

Council member Johnson offered Resolution No. 16 – 21 and moved for its adoption, second by Gahm

RESOLUTION NO. 16 – 21
A RESOLUTION RELATING TO THE ISSUANCE OF REVENUE BONDS UNDER MINNESOTA STATUTES,
CHAPTER 462C, FOR A BOND REFUNDING TO BE UNDERTAKEN BY GRANDVIEW CHRISTIAN HOME, A
MINNESOTA NONPROFIT CORPORATION, AND AUTHORIZING A PUBLIC HEARING THEREON
(entire text appears in Resolution book)

All present voted in favor.

Council member Gahm offered Resolution No. 16 – 21 and moved for its adoption, second by Dillan

RESOLUTION NO. 16 – 22
A RESOLUTION OPTING TO JOIN THE VOLUNTARY STATEWIDE LUMP-SUM VOLUNTEER FIREFIGHTER
RETIREMENT PLAN
(entire text appears in Resolution book)

Lerud said a couple of months ago, the analysis from PERA was on the council agenda. It showed that the Association could enter the state-wide plan at the present benefit level. Lerud said that both the City Council and the Relief Association need to approve moving to the state plan and the Relief Association unanimously approved moving the plan at their meeting earlier in July. He said if the council approves the Resolution, then the plan assets would move on December 31. With no other discussion all present voted for the Resolution.

There was no planning commission in July.

Lerud said the July EDC meeting was cancelled.

Mayor Pedersen gave the parks commission report. He said that the new pavers were done yesterday; the front pillars of rock started yesterday; there was some damage on the handicap lift that is being looked at; the new rehabilitated sign for the band shell was installed yesterday and includes a locked weather-proof cabinet; rules for the splash pad are being worked on; the new playground will go in the first week of August; there was discussion of extending the parking lot to the west from the existing parking area in front of the splash pad; black top will be needed behind the bands shell; the commission recommended adding building camping sites south of the band shell to next year's budget; commission wanted to see strict enforcement of the 10 p.m. curfew; the exercise trails and stations from Fairview funds needs to be completed; at the August meeting the commission will be working on the five year plan for park facilities; he said he wanted to see a park patrol that could be present to monitor activity,

take umbrellas down before a storm, and inspect the building after rentals; Rec Fest is ready to go; the commission discussed establishing an age limit for the splash pad – no decision was made.

Council member Dillan said that MCAT did not meet in July.

Lerud said he and Public Works Director Burklund have discussed the condition of the old water tower and he added it to the agenda tonight as a starting point on what the city could, or should do with it. He said the tower is no longer needed in the system, and it is really showing its age. He said options can range from razing the structure to making some modifications and improvements. He said that doing nothing about it was probably not a good option. He said as the Council thinks about it to let him know if there is information they want to help make their decision.

Motion by Dillan, second by Johnson to approve a temporary liquor license for Stone's Throw Golf Course for Rec Fest, unanimous consent.

Motion by Johnson, second by Gahm to approve the Sunday on-sale liquor license for the VFW, unanimous consent.

Mayor Pedersen called for council comments.

Council member Gahm said that if there is a work day to help clean up the flood damage in Riverview Park, she is willing to help out. After a brief discussion it was the consensus of the council to close Riverview Park for the season. Council member Johnson asked if the east rock wall was leaning due to the flood waters. Lerud said he did not know.

Council member Johnson said he was in a small town in South Dakota and they had historical photos put out in a present day perspective and he thought something like that could be done here. It was the consensus of the council that this was a great idea. Johnson said that inside the Gorecki Community Center could also use some historical pictures of the Rec Park area. Johnson said he would meet with Tom Sauer at the historical society.

With no other business a motion to adjourn was made by Gahm, second by Johnson, all present voted in favor and the meeting adjourned at 7:45 p.m.

Mayor Harold Pedersen

ATTEST

Greg Lerud, City Manager

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JULY 2016

Check Amt Invoice Comment

10100 General Bank

Paid Chk# 816167E 7/20/2016		CENTERPOINT ENERGY		
E 101-45200-381	Utilities	\$19.99	10551998	NATURAL GAS-COMM CTR
E 208-49010-381	Utilities	\$18.70	5813915	NATURAL GAS-SR CENTER
E 101-45600-381	Utilities	\$32.95	5817670	NATURAL GAS-HISTORICAL SOCIETY
E 101-43000-381	Utilities	\$126.48	5826633	NATURAL GAS-PW
E 101-41940-381	Utilities	\$26.39	5831068	NATURAL GAS-CITY HALL
E 101-42280-381	Utilities	\$14.73	6122593	NATURAL GAS-FIRE
E 602-49400-381	Utilities	\$131.59	6672186	NATURAL GAS-WATER TRMT
E 101-45500-381	Utilities	\$87.65	7142283	NATURAL GAS-LIBRARY
Total CENTERPOINT ENERGY		\$458.48		

Paid Chk# 816168E 7/7/2016		EAST CENTRAL ENERGY		
E 603-49450-381	Utilities	\$38.00	201875902	ELECTRIC
E 603-49450-381	Utilities	\$71.88	203981301	ELECTRIC
E 101-43000-380	Street Lights	\$3,043.01	204619700	ELECTRIC
E 101-45200-381	Utilities	\$53.00	205400900	ELECTRIC
E 602-49400-381	Utilities	\$1,184.00	206041500	ELECTRIC
E 101-45500-381	Utilities	\$1,014.00	206085200	ELECTRIC
E 602-49400-381	Utilities	\$646.50	206734200	ELECTRIC
E 101-45200-381	Utilities	\$31.75	5379600	ELECTRIC
E 101-49810-381	Utilities	\$103.01	5448100	ELECTRIC
E 101-42110-437	Other Miscellaneous	\$59.75	6302100	ELECTRIC
E 603-49450-381	Utilities	\$86.62	6678100	ELECTRIC
E 101-42280-381	Utilities	\$310.10	6751501	ELECTRIC
E 101-42280-381	Utilities	\$485.30	7546001	ELECTRIC
E 101-41940-381	Utilities	\$773.34	8145502	ELECTRIC
E 101-49810-381	Utilities	\$80.94	830700	ELECTRIC
E 101-49810-381	Utilities	\$51.88	831000	ELECTRIC
E 101-43000-380	Street Lights	\$81.50	831300	ELECTRIC
E 101-43000-381	Utilities	\$633.16	831500	ELECTRIC
E 603-49450-381	Utilities	\$590.25	832000	ELECTRIC
E 602-49400-381	Utilities	\$68.38	832100	ELECTRIC
E 101-45600-381	Utilities	\$100.00	832400	ELECTRIC
E 603-49450-381	Utilities	\$82.63	832500	ELECTRIC
E 603-49450-381	Utilities	\$103.25	832600	ELECTRIC
E 602-49400-381	Utilities	\$203.16	833100	ELECTRIC
E 602-49400-381	Utilities	\$51.13	833300	ELECTRIC
E 101-45200-381	Utilities	\$30.38	833400	ELECTRIC
E 101-45200-381	Utilities	\$238.28	833600	ELECTRIC
E 208-49010-381	Utilities	\$130.00	9084202	ELECTRIC
E 602-49400-381	Utilities	\$364.00	970110800	ELECTRIC
E 101-42110-437	Other Miscellaneous	\$34.75	97017300	ELECTRIC
Total EAST CENTRAL ENERGY		\$10,743.95		

Paid Chk# 816169E 7/20/2016		MILACA LOCAL LINK		
E 619-49900-321	Telephone	\$111.53	320-982-1099	PHONE SERVICE-DEP REG
E 101-45200-321	Telephone	\$49.25	320-982-1549	INTERNET-REC PARK
E 101-45500-321	Telephone	\$44.26	320-982-1549	ALARM LINE - LIBRARY
E 101-42280-321	Telephone	\$89.37	320-982-3465	PHONE SERVICE-FIRE
Total MILACA LOCAL LINK		\$294.41		

Paid Chk# 816170E 7/16/2016		UNION SECURITY INSURANCE CO.		
G 101-21707	Disability	\$503.44	4022335-0-1	LTD-JULY 2016
Total UNION SECURITY INSURANCE CO.		\$503.44		

Paid Chk# 816171E 7/20/2016		MN DEPT OF REVENUE		
R 101-36200	Miscellaneous Revenues	\$4.00	8023854	2ND QTR SALES TAX

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JULY 2016

	Check Amt	Invoice	Comment
R 101-34780 Park Fees	\$104.00	8023854	2ND QTR SALES TAX
R 619-36200 Miscellaneous Revenues	\$12.00	8023854	2ND QTR SALES TAX
R 602-37120 Sale of Water Parts	\$21.00	8023854	2ND QTR SALES TAX
G 602-20800 Sales Tax Payable	\$1,108.00	8023854	W/S SALES TAX
R 101-34107 Assessment Search Fees	\$22.00	8023854	2ND QTR SALES TAX
Total MN DEPT OF REVENUE	\$1,271.00		
Paid Chk# 816172E 7/30/2016 INCONTACT INC			
E 101-42280-321 Telephone	\$7.44	4020342	LONG DISTANCE SERVICE-FIRE
E 101-41940-321 Telephone	\$44.53	4020370	LONG DISTANCE SERVICE-CITY HALL
E 101-43000-321 Telephone	\$5.78	4020375	LONG DISTANCE SERVICE-PW
E 101-42110-321 Telephone	\$12.86	4021370	LONG DISTANCE SERVICE-PD
E 619-49900-321 Telephone	\$12.39	4021396	LONG DISTANCE SERVICE-DEP REG
E 602-49400-321 Telephone	\$0.14	4021432	LONG DISTANCE SERVICE-WATER
E 101-45200-321 Telephone	\$11.83	4580547	LONG DISTANCE SERVICE-PARKS
Total INCONTACT INC	\$94.97		
Paid Chk# 816173E 7/20/2016 MN DEPT OF LABOR & INDUSTRY			
R 101-32210 Building Permits	\$508.00	25072095069	2ND QTR SURCHARGE
Total MN DEPT OF LABOR & INDUSTRY	\$508.00		
Paid Chk# 816174E 7/6/2016 MIDCONTINENT COMMUNICATIONS			
E 101-42110-321 Telephone	\$65.00	147990801	INTERNET-JULY
Total MIDCONTINENT COMMUNICATIONS	\$65.00		
10100 General Bank	\$13,939.25		

Fund Summary

10100 General Bank	
101 GENERAL FUND	\$8,904.10
208 CHARITABLE GAMBLING FUND	\$148.70
602 WATER FUND	\$3,777.90
603 SEWER FUND	\$972.63
619 DEPUTY REGISTRAR FUND	\$135.92
	\$13,939.25

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AUGUST 2016

			Check Amt	Invoice	Comment
10100 General Bank					
Paid Chk#	042530	8/18/2016	ACCESS LIFTS INC		
E	101-45200-437	Other Miscellaneous	\$627.00	S4175	BANDSHELL LIFT REPAIR-FLOODING
		Total ACCESS LIFTS INC	\$627.00		
Paid Chk#	042531	8/18/2016	ALL FLAGS LLC		
E	211-49000-437	Other Miscellaneous	\$107.21	260651	BRACKETS-FLAGS DOWNTOWN
		Total ALL FLAGS LLC	\$107.21		
Paid Chk#	042532	8/18/2016	AMERIPRIDE		
E	101-45500-310	Other Professional Services	\$33.56	2200802443	RUGS-LIBRARY
E	101-41940-310	Other Professional Services	\$9.28	2200802444	RUGS-CITY HALL
E	619-49900-310	Other Professional Services	\$19.28	2200802444	RUGS-DEP REG
E	101-45500-310	Other Professional Services	\$33.56	2200807710	RUGS-LIBRARY
E	619-49900-310	Other Professional Services	\$19.28	2200807711	RUGS-DEP REG
E	101-41940-310	Other Professional Services	\$9.28	2200807711	RUGS-CITY HALL
		Total AMERIPRIDE	\$124.24		
Paid Chk#	042533	8/18/2016	ASSOC OF TRAINING OFFICERS MN		
E	101-42110-208	Training and Travel	\$950.00	93913528	FTO BASIC-BOSER/RASMUSSEN
		Total ASSOC OF TRAINING OFFICERS MN	\$950.00		
Paid Chk#	042534	8/18/2016	AW RESEARCH LABORATORIES		
E	603-49450-310	Other Professional Services	\$66.00	14678	TESTING-SEWER
E	602-49400-310	Other Professional Services	\$63.00	14804	TESTING-WATER
E	101-49810-310	Other Professional Services	\$100.00	14888	TESTING-AIRPORT
		Total AW RESEARCH LABORATORIES	\$229.00		
Paid Chk#	042535	8/18/2016	BANK OF ZUMBROTA		
E	381-47000-604	Airport Loan Payment	\$2,000.00	99126398	AIRPORT FUEL SYS-MICRO LOAN
E	381-47000-610	Interest Expense	\$75.00	99126398	AIRPORT FUEL SYS-MICRO LOAN
		Total BANK OF ZUMBROTA	\$2,075.00		
Paid Chk#	042536	8/18/2016	BILLINGS SERVICE		
E	101-45200-212	Auto Expense (Fuel/Repair)	\$449.01		GAS-PARKS
E	101-43000-212	Auto Expense (Fuel/Repair)	\$406.68		GAS-PW
E	101-42280-212	Auto Expense (Fuel/Repair)	\$149.94		GAS-FIRE
E	101-49810-212	Auto Expense (Fuel/Repair)	\$100.50		GAS-AIRPORT
		Total BILLINGS SERVICE	\$1,106.13		
Paid Chk#	042537	8/18/2016	CENTRAL APPLICATORS INC		
E	101-49810-310	Other Professional Services	\$9,750.00	10192	SPRAYING BRUSH-AIRPORT
		Total CENTRAL APPLICATORS INC	\$9,750.00		
Paid Chk#	042538	8/18/2016	CORNER MART		
E	101-43000-212	Auto Expense (Fuel/Repair)	\$547.80		GAS-PW
E	101-45200-212	Auto Expense (Fuel/Repair)	\$229.99		GAS-PARKS
E	700-50000-212	Auto Expense (Fuel/Repair)	\$78.00		GAS-JP
E	101-42110-212	Auto Expense (Fuel/Repair)	\$955.84		GAS-POLICE
E	602-49400-212	Auto Expense (Fuel/Repair)	\$14.05		GAS-WATER
E	101-49810-212	Auto Expense (Fuel/Repair)	\$18.03		GAS-AIRPORT
		Total CORNER MART	\$1,843.71		
Paid Chk#	042539	8/18/2016	DAVES EXCAVATING		
E	101-45200-437	Other Miscellaneous	\$560.00		BLACK DIRT-COMMUNITY CTR
E	101-45200-437	Other Miscellaneous	\$6,955.00		RIVERVIEW PARK-FLOOD DAMAGE
		Total DAVES EXCAVATING	\$7,515.00		

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AUGUST 2016

			Check Amt	Invoice	Comment
Paid Chk#	042540	8/18/2016	DOVE FRETLAND & VAN VALKENBURG		
E	101-41610-304	Legal Fees	\$894.14	72348	CIVIL RETAINER-JULY
E	101-41610-304	Legal Fees	\$3,197.55	72349	CRIMINAL RETAINER-JULY
tal DOVE FRETLAND & VAN VALKENBURG			\$4,091.69		
Paid Chk#	042541	8/18/2016	E.C.M. PUBLISHERS, INC.		
E	214-49000-343	Other Advertising	\$359.00	373111	REC FEST AD
E	214-49000-343	Other Advertising	\$100.00	373112	REC FEST AD
E	214-49000-343	Other Advertising	\$475.00	376003	REC FEST AD
E	101-41110-351	Legal Notices Publishing	\$28.87	378331	AFFIDAVIT OF CANDIDACY AD
E	101-41120-352	General Notices and Pub Info	\$16.50	382202	PUBLIC HEARING AD
Total E.C.M. PUBLISHERS, INC.			\$979.37		
Paid Chk#	042542	8/18/2016	EARL F. ANDERSEN, INC.		
E	101-43000-217	Other Operating Supplies	\$680.02	111581	STREET SIGNS & POSTS
Total EARL F. ANDERSEN, INC.			\$680.02		
Paid Chk#	042543	8/18/2016	EMERGENCY RESPONSE SOLUTIONS		
E	101-42280-221	Equipment Parts/Repairs	\$874.68	6780	FACEPIECE FOR SCBA
otal EMERGENCY RESPONSE SOLUTIONS			\$874.68		
Paid Chk#	042544	8/18/2016	FAIRVIEW HEALTH SERVICES		
E	101-42110-305	Medical and Dental Fees	\$186.00	75001609	T JOHNSON-PHYSICAL
Total FAIRVIEW HEALTH SERVICES			\$186.00		
Paid Chk#	042545	8/18/2016	FEDERATED CO-OP		
E	101-49810-217	Other Operating Supplies	\$60.48	32059382032	WEED KILLER
Total FEDERATED CO-OP			\$60.48		
Paid Chk#	042546	8/18/2016	FIRE EQUIPMENT SPECIALTIES INC		
E	101-42280-434	Uniforms	\$107.70	9329	BUNKER GEAR REPAIR
E	101-42280-240	Small Tools and Minor Equip	\$282.95	9335	FIRE HOSE
E	101-42280-240	Small Tools and Minor Equip	\$73.00	9353	FIRE EQUIPMENT
E	101-42280-221	Equipment Parts/Repairs	\$2,886.98	9364	FIRE HOSE
Total FIRE EQUIPMENT SPECIALTIES INC			\$3,350.63		
Paid Chk#	042547	8/18/2016	FIRST LAB		
E	101-45200-310	Other Professional Services	\$96.70	FL00153381	DRUG SCREEN - PARKS
Total FIRST LAB			\$96.70		
Paid Chk#	042548	8/18/2016	FRY, KEN		
R	101-34780	Park Fees	\$100.00		REFUND-PARK RESERV-FLOODING
Total FRY, KEN			\$100.00		
Paid Chk#	042549	8/18/2016	GK CONSULTING LLC		
E	101-41940-309	EDP, Software and Design	\$900.00	1276	AUG NETWORK
Total GK CONSULTING LLC			\$900.00		
Paid Chk#	042550	8/18/2016	GOPHER STATE ONE CALL		
E	602-49400-310	Other Professional Services	\$55.35	6070558	JULY LOCATES
Total GOPHER STATE ONE CALL			\$55.35		
Paid Chk#	042551	8/18/2016	GRAINGER		
E	101-45500-217	Other Operating Supplies	\$192.00	9184454768	LIGHT BULBS-LIBRARY
Total GRAINGER			\$192.00		
Paid Chk#	042552	8/18/2016	GRANITE ELECTRONICS		
E	101-42280-226	Radio Repair	\$107.50	140000383-1	PAGER SUPPLIES-FIRE

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			Check Amt	Invoice	Comment
	Total GRANITE ELECTRONICS		\$107.50		
Paid Chk# 042553	8/18/2016	HARDRIVES, INC.			
E 101-43000-403	Repairs/Maint Streets		\$631.94	13297	ASPHALT MIX
	Total HARDRIVES, INC.		\$631.94		
Paid Chk# 042554	8/18/2016	HARDY AUTO PARTS			
E 101-42280-221	Equipment Parts/Repairs		\$15.74	3141	RESCUE 1 PARTS-FIRE
	Total HARDY AUTO PARTS		\$15.74		
Paid Chk# 042555	8/18/2016	HAWKINS, INC.			
E 602-49400-216	Chemicals and Chem Products		\$3,170.95	3916464	CHEMICALS
	Total HAWKINS, INC.		\$3,170.95		
Paid Chk# 042556	8/18/2016	HD SUPPLY WATERWORKS, LTD			
E 602-49400-218	Parts - Water Dept.		\$1,396.55	F914518	MXU UNITS
	Total HD SUPPLY WATERWORKS, LTD		\$1,396.55		
Paid Chk# 042557	8/18/2016	HY-TECH AUTOMOTIVE			
E 101-42110-212	Auto Expense (Fuel/Repair)		\$74.40	25612	SQUAD 11 MAINTENANCE
	Total HY-TECH AUTOMOTIVE		\$74.40		
Paid Chk# 042558	8/18/2016	JENSEN - ANDERSEN			
E 101-45200-310	Other Professional Services		\$115.00	5020	SPLASH PAD REPAIRS
	Total JENSEN - ANDERSEN		\$115.00		
Paid Chk# 042559	8/18/2016	JINDRAS RENTAL SERVICE			
E 214-49000-437	Other Miscellaneous		\$905.00		TENTS/TABLES/CHAIRS-REC FEST
	Total JINDRAS RENTAL SERVICE		\$905.00		
Paid Chk# 042560	8/18/2016	JOHN DEERE FINANCIAL			
E 101-45200-221	Equipment Parts/Repairs		\$65.49	1298704	PARTS-PARKS
	Total JOHN DEERE FINANCIAL		\$65.49		
Paid Chk# 042561	8/18/2016	K.E.E.P.R.S.			
E 101-42110-434	Uniforms		\$710.73	317194	UNIFORMS-T JOHNSON
	Total K.E.E.P.R.S.		\$710.73		
Paid Chk# 042562	8/18/2016	KNIFE RIVER CORP. - NORTH CENT			
E 101-43000-403	Repairs/Maint Streets		\$179.95	442419	SEWER SAND
E 101-43000-403	Repairs/Maint Streets		\$197.89	442554	CLASS 5 AGGREGATE
E 101-43000-403	Repairs/Maint Streets		\$196.66	444517	CLASS 5 AGGREGATE
E 101-43000-403	Repairs/Maint Streets		\$199.61	444616	CLASS 5 AGGREGATE
E 101-43000-403	Repairs/Maint Streets		\$197.73	444938	CLASS 5 AGGREGATE
	Total KNIFE RIVER CORP. - NORTH CENT		\$971.84		
Paid Chk# 042563	8/18/2016	KOCHS HARDWARE HANK			
E 101-45200-437	Other Miscellaneous		\$352.84	3181	STEPPING STONES-BANDSHELL
E 101-42280-217	Other Operating Supplies		\$233.03	3181	SUPPLIES-FIRE
E 101-45200-434	Uniforms		\$129.99	3181	BOOTS-PARKS
E 101-45200-215	Shop Supplies		\$643.82	3181	SHOP SUPPLIES-PARKS
E 101-43000-215	Shop Supplies		\$147.96	3181	SHOP SUPPLIES-PW
E 602-49400-217	Other Operating Supplies		\$26.92	3181	SUPPLIES-WATER
E 603-49450-217	Other Operating Supplies		\$29.30	3181	SUPPLIES-SEWER
E 101-41940-217	Other Operating Supplies		\$4.72	3181	SUPPLIES-CITY
E 211-49000-437	Other Miscellaneous		\$109.98	3181	FLOWERPOTS-HCP
E 101-42110-437	Other Miscellaneous		\$6.98	3181	SUPPLIES-POLICE
E 214-49000-437	Other Miscellaneous		\$150.00	3181	FIRE PITS-REC FEST
E 101-49810-217	Other Operating Supplies		\$254.61	3181	SUPPLIES-AIRPORT

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Total KOCHS HARDWARE HANK			\$2,090.15		
Paid Chk# 042564	8/18/2016	LINDSTROM, HARV			
E 700-50000-310		Other Professional Services	\$540.00		INSPECTIONS-BRAHAM-5/26-6/15
Total LINDSTROM, HARV			\$540.00		
Paid Chk# 042565	8/18/2016	M.D.R.A.			
E 619-49900-433		Dues and Subscriptions	\$30.00		P HARTMAN-2016 ANNUAL MTG
Total M.D.R.A.			\$30.00		
Paid Chk# 042566	8/18/2016	M.E. PLUMBING & HEATING			
E 208-49010-310		Other Professional Services	\$135.00	37644	REPAIR-SR CENTER
Total M.E. PLUMBING & HEATING			\$135.00		
Paid Chk# 042567	8/18/2016	MERRICK, MATTHEW			
R 700-34000		Charges for Services	\$1,266.83		REFUND CHENGWATANA BLDG PERMIT 15/002
Total MERRICK, MATTHEW			\$1,266.83		
Paid Chk# 042568	8/18/2016	MEYERS MILACA PARTS CITY			
E 101-45200-221		Equipment Parts/Repairs	\$268.72	2071	PARTS-PARKS
Total MEYERS MILACA PARTS CITY			\$268.72		
Paid Chk# 042569	8/18/2016	MID-AMERICAN RESEARCH CHEMICAL			
E 101-45200-216		Chemicals and Chem Products	\$104.59	584128	CHEMICALS-CLEANING
Total MID-AMERICAN RESEARCH CHEMICAL			\$104.59		
Paid Chk# 042570	8/18/2016	MILACA AUTO VALUE			
E 101-42280-221		Equipment Parts/Repairs	\$233.78	1302823	BATTERY-FIRE
E 101-43000-221		Equipment Parts/Repairs	\$35.97	1302823	PARTS-PW
E 101-42110-212		Auto Expense (Fuel/Repair)	\$19.98	1302823	HEADLIGHT-POLICE
Total MILACA AUTO VALUE			\$289.73		
Paid Chk# 042571	8/18/2016	MILACA GENERAL RENTAL CENTER			
E 101-45200-225		Landscaping Materials	\$517.50	1-38744	MULCH-PARKS
E 101-45200-215		Shop Supplies	\$3.23	1-38917	DRILL BIT-PARKS
Total MILACA GENERAL RENTAL CENTER			\$520.73		
Paid Chk# 042572	8/18/2016	MILACA LAWN & GARDEN			
E 101-45200-221		Equipment Parts/Repairs	\$25.74	658321	TRIMMER PARTS-PARKS
Total MILACA LAWN & GARDEN			\$25.74		
Paid Chk# 042573	8/18/2016	MILACA, CITY OF			
E 101-49810-437		Other Miscellaneous	\$70.25	16-074	BLDG PERMIT-REROOF-AIRPORT
Total MILACA, CITY OF			\$70.25		
Paid Chk# 042574	8/18/2016	MILLE LACS COUNTY DAC			
E 101-41940-310		Other Professional Services	\$449.30	114765	CLEANING SVCS - JUNE 2016
E 101-45500-310		Other Professional Services	\$120.34	114766	CLEANING SVCS - JUNE 2016
Total MILLE LACS COUNTY DAC			\$569.64		
Paid Chk# 042575	8/18/2016	MINUTEMAN PRESS			
E 214-49000-437		Other Miscellaneous	\$144.28	17085	REC FEST SIGNS
E 101-45200-437		Other Miscellaneous	\$32.06	17105	SIGNS-COMMUNITY CTR
Total MINUTEMAN PRESS			\$176.34		
Paid Chk# 042576	8/18/2016	MIRACLE RECREATION EQUIPMENT			
E 500-45200-530		Improv Other Than Bldgs	\$20,200.00	777092	PLAYGROUND EQUIP-REC PARK
Total MIRACLE RECREATION EQUIPMENT			\$20,200.00		

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Paid Chk# 042577	8/18/2016	MN DEPT MANAGEMENT & BUDGET			
R 101-35105	Administrative Fines		\$60.00		ADMINISTRATIVE FINES-JULY 2016
	Total MN DEPT MANAGEMENT & BUDGET		\$60.00		
Paid Chk# 042578	8/18/2016	MN DEPT OF HEALTH (1)			
E 603-49450-437	Other Miscellaneous		\$50.00	490957	2016 WELL MAINT PERMIT
E 603-49450-437	Other Miscellaneous		\$50.00	763783	2016 WELL MAINT PERMIT
	Total MN DEPT OF HEALTH (1)		\$100.00		
Paid Chk# 042579	8/18/2016	MN DEPT OF LABOR & INDUSTRY			
E 101-43000-433	Dues and Subscriptions		\$10.00	ABR0143783I	PRESSURE VESSEL-PW
E 101-45200-437	Other Miscellaneous		\$100.00	ALR0063608I	ELEVATOR-PARKS
	Total MN DEPT OF LABOR & INDUSTRY		\$110.00		
Paid Chk# 042580	8/18/2016	MTI DISTRIBUTING			
E 101-45200-221	Equipment Parts/Repairs		\$246.58	1081250	TORO TIRE REPAIR PARTS-PARKS
	Total MTI DISTRIBUTING		\$246.58		
Paid Chk# 042581	8/18/2016	QUALITY FLOW SYSTEMS			
E 603-49450-310	Other Professional Services		\$2,609.00	32357	SERVICE CHECK OF LIFT STATIONS
	Total QUALITY FLOW SYSTEMS		\$2,609.00		
Paid Chk# 042582	8/18/2016	QUILL CORPORATION			
E 101-49810-217	Other Operating Supplies		\$32.92	7740894	TOILET PAPER-AIRPORT
E 101-43000-215	Shop Supplies		\$130.02	7740894	PAPER TOWELS/TOILET PAPER-PW
E 101-41940-201	Accessories (paper, pens, etc)		\$12.98	7740894	PENS-CITY
E 101-41310-201	Accessories (paper, pens, etc)		\$300.56	7899782	PRINTER TONER-MGR
E 101-45500-217	Other Operating Supplies		\$29.99	7901353	PAPER TOWELS-LIBRARY
E 101-41940-201	Accessories (paper, pens, etc)		\$21.37	7901353	SUPPLIES-CITY
E 101-41310-201	Accessories (paper, pens, etc)		\$108.40	7942939	PRINTER TONER-MGR
	Total QUILL CORPORATION		\$636.24		
Paid Chk# 042583	8/18/2016	RANDY MARUDAS CONSTRUCTION			
E 101-49810-310	Other Professional Services		\$400.00	622	SHINGLE GARAGE-AIRPORT
	Total RANDY MARUDAS CONSTRUCTION		\$400.00		
Paid Chk# 042584	8/18/2016	RDT PROPERTIES LLC			
E 404-49100-439	Developer s 90%		\$18,283.51		DEVELOPER 90%-TIF4-10(77)
	Total RDT PROPERTIES LLC		\$18,283.51		
Paid Chk# 042585	8/18/2016	RIVERSIDE NURSERY			
E 211-49000-437	Other Miscellaneous		\$18.00	2316	FLOWERPOTS BY POST OFFICE
	Total RIVERSIDE NURSERY		\$18.00		
Paid Chk# 042586	8/18/2016	ROHMAN MOSQUITO & TICK			
E 214-49000-437	Other Miscellaneous		\$792.00	1535	MOSQUITO SPRAY-REC FEST
	Total ROHMAN MOSQUITO & TICK		\$792.00		
Paid Chk# 042587	8/18/2016	SAFETY TRAIN INC			
E 101-43000-230	Safety		\$150.00		SAFETY WALK THRU
	Total SAFETY TRAIN INC		\$150.00		
Paid Chk# 042588	8/18/2016	SELECT ACCOUNT			
E 101-41940-310	Other Professional Services		\$12.50	1155477	HSA ACCT FEES-Q RASMUSSEN
	Total SELECT ACCOUNT		\$12.50		
Paid Chk# 042589	8/18/2016	SIMON, BOB AND CYNTHIA			
R 602-37100	Water Sales		\$15.00		DEPOSIT REFUND-1030 CENTRAL AVE N

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Total SIMON, BOB AND CYNTHIA			\$15.00		
Paid Chk#	042590	8/18/2016	ST. CLOUD REFRIGERATION		
E	101-45500-310	Other Professional Services	\$372.08	320067	HVAC REPAIR-LIBRARY
Total ST. CLOUD REFRIGERATION			\$372.08		
Paid Chk#	042591	8/18/2016	STANTEC		
E	101-45200-310	Other Professional Services	\$2,616.15	1075399	REC PARK SURVEY
Total STANTEC			\$2,616.15		
Paid Chk#	042592	8/18/2016	STONEHEART GRANITE		
E	101-45200-437	Other Miscellaneous	\$1,790.00		REC PARK PAVERS
E	101-45200-437	Other Miscellaneous	\$205.00		REC PARK PAVERS
Total STONEHEART GRANITE			\$1,995.00		
Paid Chk#	042593	8/18/2016	STONEHILL MASONRY		
E	101-43000-310	Other Professional Services	\$2,100.00	912519	TEAR OUT ALLEY APPROACH AND REPOUR
Total STONEYHILL MASONRY			\$2,100.00		
Paid Chk#	042594	8/18/2016	STREICHER S		
E	101-42110-221	Equipment Parts/Repairs	\$209.98	1218293	HOLSTERS
Total STREICHER S			\$209.98		
Paid Chk#	042595	8/18/2016	TIMMER IMPLEMENT		
E	101-49810-221	Equipment Parts/Repairs	\$4,500.00		BRUSH HOG CUTTER-AIRPORT
E	603-49450-580	Other Equipment	\$10,400.00		HOLLAND DISC MOWER-SEWER
Total TIMMER IMPLEMENT			\$14,900.00		
Paid Chk#	042596	8/18/2016	ULINE		
E	101-42110-201	Accessories (paper, pens, etc)	\$212.91	78482277	EVIDENCE BAGS
Total ULINE			\$212.91		
Paid Chk#	042597	8/18/2016	UNIV OF MINNESOTA(PESTICIDE)		
E	101-45200-208	Training and Travel	\$185.00		GREG MOYER-PESTICIDE TRNG
Total UNIV OF MINNESOTA(PESTICIDE)			\$185.00		
Paid Chk#	042598	8/18/2016	VERSATILE VEHICLES		
E	214-49000-437	Other Miscellaneous	\$500.00	803160016V	GOLF CART RENTAL-REC FEST
Total VERSATILE VEHICLES			\$500.00		
Paid Chk#	042599	8/18/2016	WUBBEN, MARK		
E	101-45200-437	Other Miscellaneous	\$903.07		BANDSHELL BULLETIN BOARD
Total WUBBEN, MARK			\$903.07		
10100 General Bank			\$117,774.09		

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Fund Summary**10100 General Bank**

101 GENERAL FUND	\$53,520.60		
208 CHARITABLE GAMBLING FUND	\$135.00		
211 INITIATIVE FOUNDATION	\$235.19		
214 REC FEST FUND	\$3,425.28		
381 2009 GO EQUIP CERTIFICATE	\$2,075.00		
404 TIF# 1-10 DOWNTOWN	\$18,283.51		
500 CAPITAL PROJECT FUND	\$20,200.00		
602 WATER FUND	\$4,741.82		
603 SEWER FUND	\$13,204.30		
619 DEPUTY REGISTRAR FUND	\$68.56		
700 BRAHAM-MILACA JOINT POWERS	\$1,884.83		
	<hr/>		
	\$117,774.09		

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10100 General BankPaid Chk# 042416 7/8/2016 **BAAS CONSTRUCTION, INC**

E 101-45200-530	Improv Other Than Bldgs	\$20,810.00		BANDSHELL INTERIOR IMPROVEMENTS
Total BAAS CONSTRUCTION, INC		\$20,810.00		

Paid Chk# 042417 7/8/2016 **FRONTIER**

E 602-49400-321	Telephone	\$1.80	320-983-0121	PHONE SVC-WATER
E 101-49810-321	Telephone	\$50.48	320-983-2648	PHONE SVC-AIRPORT
E 101-41940-321	Telephone	\$201.61	320-983-3141	PHONE SVC-CITY HALL
E 101-45500-321	Telephone	\$16.20	320-983-3141	PHONE SVC-LIBRARY
E 101-41940-321	Telephone	\$50.84	320-983-3142	PHONE SVC-CITY HALL
E 619-49900-321	Telephone	\$96.88	320-983-3143	PHONE SVC-DEP REG
E 101-42280-321	Telephone	\$49.94	320-983-3465	PHONE SVC-FIRE
E 101-45200-321	Telephone	\$47.84	320-983-5729	PHONE SVC-PARKS
E 602-49400-321	Telephone	\$146.38	320-983-6134	PHONE SVC-WATER
E 101-42110-321	Telephone	\$100.83	320-983-6166	PHONE SVC-POLICE
E 101-43000-321	Telephone	\$106.34	320-983-6547	PHONE SVC-PW

Total FRONTIER \$869.14Paid Chk# 042418 7/8/2016 **JIMS MILLE LACS DISPOSAL**

E 101-43000-310	Other Professional Services	\$200.00	1832413	STREET SWEEPING-JUNE
E 101-42280-384	Refuse/Garbage Disposal	\$25.00	211948	GARBAGE-FIRE
E 101-45200-384	Refuse/Garbage Disposal	\$93.56	211948	GARBAGE-PARKS
E 101-43000-384	Refuse/Garbage Disposal	\$130.76	211948	GARBAGE-CITY
E 101-43000-312	Compost	\$300.00	211948	COMPOST-JULY

Total JIMS MILLE LACS DISPOSAL \$749.32Paid Chk# 042419 7/8/2016 **MILACA BLDG CENTER**

E 101-45200-530	Improv Other Than Bldgs	\$264.71	3141	SUPPLIES-BANDSHELL INTERIOR
E 101-49810-217	Other Operating Supplies	\$10.98	3141	SUPPLIES-AIRPORT
E 101-43000-215	Shop Supplies	\$69.63	3141	SHOP SUPPLIES-PW
E 211-49000-437	Other Miscellaneous	\$45.23	3141	SUPPLIES-HCP
E 101-45200-215	Shop Supplies	\$82.39	3141	SHOP SUPPLIES-PARKS
E 101-45200-437	Other Miscellaneous	\$83.48	3141	DISK GOLF SUPPLIES-PARKS
E 101-45200-437	Other Miscellaneous	\$212.96	3141	SPLASH PAD SUPPLIES-PARKS

Total MILACA BLDG CENTER \$769.38Paid Chk# 042420 7/12/2016 **ARMSTRONG, BRANDON**

G 101-21704	PERA	\$183.73		REIMB PERA OVERPMT-7/13/16
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Total ARMSTRONG, BRANDON \$183.73Paid Chk# 042493 7/22/2016 **AMAZON**

E 101-42110-240	Small Tools and Minor Equip	\$120.00	023237536323	TARGET STANDS-POLICE
E 101-42110-221	Equipment Parts/Repairs	\$59.99	047918751157	AIRWAY TRAUMA BAG-POLICE
E 101-42110-221	Equipment Parts/Repairs	\$20.73	055449048275	OXYGEN REGULATOR-POLICE
E 101-42110-221	Equipment Parts/Repairs	\$119.98	055449988217	AIRWAY TRAUMA BAGS-POLICE
E 101-45200-240	Small Tools and Minor Equip	\$59.98	069704237109	SHANK BIT-PARKS
E 101-43000-215	Shop Supplies	\$107.99	080745637338	PRINTER TONER-PW
E 101-42400-201	Accessories (paper, pens, etc)	\$314.23	108284327216	PRINTER TONER-B&Z
E 101-43000-215	Shop Supplies	\$121.40	133329357747	PRINTER TONER-PW
E 101-42280-217	Other Operating Supplies	\$185.20	229132801274	FIRST AID SUPPLIES-FIRE
E 101-42280-217	Other Operating Supplies	\$130.00	229133210263	TOURNIQUETS-FIRE
E 101-42280-217	Other Operating Supplies	\$11.10	229133322253	AMMONIA INHALANTS-FIRE
E 101-42280-217	Other Operating Supplies	\$6.63	269006837939	BANDAGES-FIRE
E 101-42280-217	Other Operating Supplies	\$50.11	284254152458	DISINFECTING WIPES-FIRE

Total AMAZON \$1,307.34Paid Chk# 042494 7/22/2016 **BLUE CROSS BLUE SHIELD OF MINN**

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G 101-21706 Medical Insur.	\$9,974.02	7S034-F0 1	MEDICAL INSUR-AUG-2016
Total BLUE CROSS BLUE SHIELD OF MINN	\$9,974.02		
Paid Chk# 042495 7/22/2016 DELTA DENTAL OF MN			
G 101-21706 Medical Insur.	\$24.80	6551679	PED DENTAL-AUG 2016
Total DELTA DENTAL OF MN	\$24.80		
Paid Chk# 042496 7/22/2016 FAMILY HERITAGE			
G 101-21707 Disability	\$135.00	585644	SUPPL LIFE INS - JULY 2016
Total FAMILY HERITAGE	\$135.00		
Paid Chk# 042497 7/22/2016 L.E.L.S.			
G 101-21710 Union Dues	\$175.05	LOCAL #238	POLICE UNION DUES-AUG 2016
Total L.E.L.S.	\$175.05		
Paid Chk# 042498 7/22/2016 LEAGUE OF MN CITIES INSUR TRST			
E 603-49450-151 Worker s Comp Insurance Prem	\$3,130.00	32428	16 - 17 WORK COMP
E 619-49900-151 Worker s Comp Insurance Prem	\$700.00	32428	16 - 17 WORK COMP
E 101-42280-151 Worker s Comp Insurance Prem	\$14,290.00	32428	16 - 17 WORK COMP
E 602-49400-151 Worker s Comp Insurance Prem	\$2,793.00	32428	16 - 17 WORK COMP
E 101-42120-151 Worker s Comp Insurance Prem	\$2,820.00	32428	16 - 17 WORK COMP
E 101-41940-151 Worker s Comp Insurance Prem	\$13,620.00	32428	16 - 17 WORK COMP
Total LEAGUE OF MN CITIES INSUR TRST	\$37,353.00		
Paid Chk# 042499 7/22/2016 MN BENEFITS			
G 101-21712 Dental	\$191.85		LIFE/DENTAL-AUG-2016
G 101-21709 Life Insur.	\$282.31		LIFE/DENTAL-AUG-2016
Total MN BENEFITS	\$474.16		
Paid Chk# 042500 7/22/2016 SELECT ACCOUNT-HSA			
G 101-21705 Health Saving Account	\$500.00		RASMUSSEN CONTRIB-AUG/SEP 2016
Total SELECT ACCOUNT-HSA	\$500.00		
Paid Chk# 042501 7/22/2016 USABLE LIFE			
G 101-21707 Disability	\$226.30	101408001G	DISABILITY/LIFE-AUG 2016
Total USABLE LIFE	\$226.30		
Paid Chk# 042502 7/22/2016 VERIZON WIRELESS			
E 101-42110-321 Telephone	\$231.47	9768374728	JUL WIRELESS ROUTER/PHONE SVC
E 602-49400-321 Telephone	\$35.01	9768374728	JUL WIRELESS ROUTER SVC
E 101-45200-321 Telephone	\$44.40	9768505194	CELL PHONE SVC-JUL
E 101-42280-321 Telephone	\$63.63	9768505194	CELL PHONE SVC-JUL
E 101-43000-321 Telephone	\$75.69	9768505194	CELL PHONE SVC-JUL
Total VERIZON WIRELESS	\$450.20		
Paid Chk# 042503 7/22/2016 VISA			
E 101-41940-322 Postage	\$99.95		ANNUAL POSTAGE PLAN-ENDICIA
E 101-42280-208 Training and Travel	\$683.74		TRAINING DVDS-FIRE-PENNWELL BKS
E 101-49910-201 Accessories (paper, pens, etc)	\$99.95		ANNUAL POSTAGE PLAN-ENDICIA-OGILVIE
Total VISA	\$883.64		
Paid Chk# 042504 7/26/2016 BARTIG, GARY			
E 214-49000-310 Other Professional Services	\$300.00		REC FEST SVCS
Total BARTIG, GARY	\$300.00		
Paid Chk# 042505 7/26/2016 BIRKELAND, MIKE			
E 214-49000-310 Other Professional Services	\$350.00		REC FEST SVCS
Total BIRKELAND, MIKE	\$350.00		

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Paid Chk# 042506	7/26/2016	BIRKELAND, SARAH			
E 214-49000-310		Other Professional Services	\$350.00		REC FEST SVCS
		Total BIRKELAND, SARAH	\$350.00		
Paid Chk# 042507	7/26/2016	BLONDELL, PAUL			
E 214-49000-310		Other Professional Services	\$100.00		REC FEST SVCS
		Total BLONDELL, PAUL	\$100.00		
Paid Chk# 042508	7/26/2016	CAGLEY, WILLIAM J.			
E 214-49000-310		Other Professional Services	\$600.00		REC FEST SVCS
		Total CAGLEY, WILLIAM J.	\$600.00		
Paid Chk# 042509	7/26/2016	CAMPBELL, MARY			
E 214-49000-310		Other Professional Services	\$350.00		REC FEST SVCS-NORTHERN LIGHTS
		Total CAMPBELL, MARY	\$350.00		
Paid Chk# 042510	7/26/2016	EWERT, DOUG			
E 214-49000-310		Other Professional Services	\$350.00		REC FEST SVCS-NORTHERN LIGHTS
		Total EWERT, DOUG	\$350.00		
Paid Chk# 042511	7/26/2016	FISH, DANIEL			
E 214-49000-310		Other Professional Services	\$700.00		REC FEST SVCS-BISCUIT BOYS
		Total FISH, DANIEL	\$700.00		
Paid Chk# 042512	7/26/2016	HALVORSON, JOHN			
E 214-49000-310		Other Professional Services	\$350.00		REC FEST SVCS-HALVORSON FAMILY
		Total HALVORSON, JOHN	\$350.00		
Paid Chk# 042513	7/26/2016	HALVORSON, LOREN			
E 214-49000-310		Other Professional Services	\$350.00		REC FEST SVCS-HALVORSON FAMILY
		Total HALVORSON, LOREN	\$350.00		
Paid Chk# 042514	7/26/2016	JOHNNY F! PRODUCTIONS			
E 214-49000-310		Other Professional Services	\$2,800.00		REC FEST SOUND SVCS
		Total JOHNNY F! PRODUCTIONS	\$2,800.00		
Paid Chk# 042515	7/26/2016	KIMMEL, DICK			
E 214-49000-310		Other Professional Services	\$400.00		REC FEST SVCS
		Total KIMMEL, DICK	\$400.00		
Paid Chk# 042516	7/26/2016	KRAFT, PETE			
E 214-49000-310		Other Professional Services	\$500.00		REC FEST SVCS-FROGS HOLLOW BAND
		Total KRAFT, PETE	\$500.00		
Paid Chk# 042517	7/26/2016	LOHMAN, DOUGLAS R.			
E 214-49000-310		Other Professional Services	\$1,000.00		REC FEST SVCS-DL CAJUN BAND
		Total LOHMAN, DOUGLAS R.	\$1,000.00		
Paid Chk# 042518	7/26/2016	MARTI, JEANNE			
E 214-49000-310		Other Professional Services	\$500.00		REC FEST SVCS-ROSBY CORNER
		Total MARTI, JEANNE	\$500.00		
Paid Chk# 042519	7/26/2016	MATHISON, DEVIN			
E 214-49000-310		Other Professional Services	\$300.00		REC FEST SVCS-MATHISON FAMILY FIDDLERS
		Total MATHISON, DEVIN	\$300.00		
Paid Chk# 042520	7/26/2016	NO MANS STRING BAND			
E 214-49000-310		Other Professional Services	\$650.00		REC FEST SVCS

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			Check Amt	Invoice	Comment
Total NO MANS STRING BAND			<u>\$650.00</u>		
Paid Chk# 042521	7/26/2016	PHILIPPI, LACIE			
E 214-49000-310		Other Professional Services	<u>\$300.00</u>		REC FEST SVCS-SHAFFERS LOST 40
Total PHILIPPI, LACIE			<u>\$300.00</u>		
Paid Chk# 042522	7/26/2016	SHAFFER, BONNIE			
E 214-49000-310		Other Professional Services	<u>\$300.00</u>		REC FEST SVCS-SHAFFERS LOST 40
Total SHAFFER, BONNIE			<u>\$300.00</u>		
Paid Chk# 042523	7/29/2016	U.S. POSTMASTER			
E 603-49450-322		Postage	<u>\$106.25</u>		JULY BILLINGS
E 602-49400-322		Postage	<u>\$106.24</u>		JULY BILLINGS
Total U.S. POSTMASTER			<u>\$212.49</u>		
10100 General Bank			<u>\$85,647.57</u>		

Fund Summary

10100 General Bank	
101 GENERAL FUND	\$67,936.78
211 INITIATIVE FOUNDATION	\$45.23
214 REC FEST FUND	\$10,550.00
602 WATER FUND	\$3,082.43
603 SEWER FUND	\$3,236.25
619 DEPUTY REGISTRAR FUND	\$796.88
	<u>\$85,647.57</u>

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			Check Amt	Invoice	Comment
10900 Liquor Bank					
Paid Chk#	916026E	7/7/2016	EAST CENTRAL ENERGY		
E 609-49750-381	Utilities		\$2,066.96	7115200	ELECTRIC
Total EAST CENTRAL ENERGY			\$2,066.96		
Paid Chk#	916027E	7/12/2016	CENTERPOINT ENERGY		
E 609-49750-381	Utilities		\$57.20	128-000-782-1	NATURAL GAS
Total CENTERPOINT ENERGY			\$57.20		
Paid Chk#	916028E	7/20/2016	MN DEPT OF REVENUE		
E 609-49750-201	Accessories (paper, pens, etc)		\$8.00	9576201	USE TAX-QUILL INV #6478316/6319898
G 609-20800	Sales Tax Payable		\$17,524.00	9576201	LIQUOR SALES TAX
Total MN DEPT OF REVENUE			\$17,532.00		
Paid Chk#	916029E	7/15/2016	MILACA, CITY OF (WATER/SEWER)		
E 609-49750-381	Utilities		\$27.33	01-00015990	WATER/SEWER
Total MILACA, CITY OF (WATER/SEWER)			\$27.33		
 10900 Liquor Bank			<u>\$19,683.49</u>		

Fund Summary

10900 Liquor Bank	
609 MUNICIPAL LIQUOR FUND	\$19,683.49
	<u>\$19,683.49</u>

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			Check Amt	Invoice	Comment
10900 Liquor Bank					
Paid Chk#	023775	8/10/2016	JIMS MILLE LACS DISPOSAL		
E 609-49750-384	Refuse/Garbage Disposal		\$86.58	219225	REFUSE COLLECTION
Total JIMS MILLE LACS DISPOSAL			\$86.58		
Paid Chk#	023776	8/18/2016	AMERICAN BOTTLING CO.		
E 609-49750-254	Mix/Non Alcoholic		\$128.80	7429738612	NA
Total AMERICAN BOTTLING CO.			\$128.80		
Paid Chk#	023777	8/18/2016	AMERIPRIDE		
E 609-49750-310	Other Professional Services		\$27.01	2200802453	RUGS
E 609-49750-310	Other Professional Services		\$90.05	2200805216	RUGS
E 609-49750-217	Other Operating Supplies		\$83.28	2200805216	PAPER TOWELS
E 609-49750-217	Other Operating Supplies		\$69.85	2200810246	TOILET PAPER
E 609-49750-310	Other Professional Services		\$74.76	2200810246	RUGS
Total AMERIPRIDE			\$344.95		
Paid Chk#	023778	8/18/2016	CRYSTAL SPRINGS ICE		
E 609-49750-259	Other For Resale		\$238.44	003.B000344	ICE
E 609-49750-259	Other For Resale		\$310.40	003.B000465	ICE
E 609-49750-259	Other For Resale		\$245.80	003.B000584	ICE
E 609-49750-259	Other For Resale		\$210.40	003.B000683	ICE
Total CRYSTAL SPRINGS ICE			\$1,005.04		
Paid Chk#	023779	8/18/2016	GODFATHER S EXTERMINATING		
E 609-49750-310	Other Professional Services		\$51.21	112652	PEST CONTROL
Total GODFATHER S EXTERMINATING			\$51.21		
Paid Chk#	023780	8/18/2016	GRANITE CITY JOBBING		
E 609-49750-259	Other For Resale		\$367.86	14439	MISC
E 609-49750-256	Tobacco Products For Resale		\$216.50	14439	TOBACCO
E 609-49750-217	Other Operating Supplies		\$148.29	14439	SUPPLIES
E 609-49750-333	Freight and Express		\$4.25	14439	DELIVERY
E 609-49750-256	Tobacco Products For Resale		(\$17.07)	14490	TOBACCO-CREDIT
E 609-49750-256	Tobacco Products For Resale		\$11.45	14631	TOBACCO
E 609-49750-333	Freight and Express		\$4.25	14631	DELIVERY
E 609-49750-256	Tobacco Products For Resale		\$132.43	15274	TOBACCO
E 609-49750-259	Other For Resale		\$426.04	15274	MISC
E 609-49750-217	Other Operating Supplies		\$47.33	15274	SUPPLIES
E 609-49750-259	Other For Resale		\$251.92	16036	MISC
E 609-49750-254	Mix/Non Alcoholic		\$17.80	16036	NA
E 609-49750-256	Tobacco Products For Resale		\$738.10	16036	TOBACCO
E 609-49750-333	Freight and Express		\$4.25	16036	DELIVERY
E 609-49750-256	Tobacco Products For Resale		(\$95.13)	16175	TOBACCO-CREDIT
E 609-49750-259	Other For Resale		(\$1.60)	16175	MISC-CREDIT
E 609-49750-254	Mix/Non Alcoholic		(\$2.28)	16175	NA-CREDIT
E 609-49750-333	Freight and Express		\$4.25	16816	DELIVERY
E 609-49750-259	Other For Resale		\$104.40	16816	MISC
E 609-49750-256	Tobacco Products For Resale		\$874.78	16816	TOBACCO
E 609-49750-333	Freight and Express		\$4.25	17543	DELIVERY
E 609-49750-259	Other For Resale		\$558.96	17543	MISC
E 609-49750-256	Tobacco Products For Resale		\$1,078.73	17543	TOBACCO
Total GRANITE CITY JOBBING			\$4,879.76		
Paid Chk#	023781	8/18/2016	JEYS, VICTORIA		
E 609-49750-208	Training and Travel		\$32.64		MILEAGE-ELK RIVER-7/16
E 609-49750-201	Accessories (paper, pens, etc)		\$51.78		REIMB SUPPLIES

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			Check Amt	Invoice	Comment
Total JEYS, VICTORIA			\$84.42		
Paid Chk#	023782	8/18/2016	KOCHS HARDWARE HANK		
E 609-49750-217	Other Operating Supplies		\$25.63	3752	SUPPLIES
Total KOCHS HARDWARE HANK			\$25.63		
Paid Chk#	023783	8/18/2016	M. AMUNDSON LLP		
E 609-49750-256	Tobacco Products For Resale		\$518.52	219946	TOBACCO
E 609-49750-259	Other For Resale		\$29.94	219946	MISC
E 609-49750-217	Other Operating Supplies		\$30.00	219946	SUPPLIES
E 609-49750-259	Other For Resale		\$190.84	220362	MISC
E 609-49750-256	Tobacco Products For Resale		\$132.13	220362	TOBACCO
E 609-49750-217	Other Operating Supplies		\$508.70	220995	SUPPLIES
E 609-49750-256	Tobacco Products For Resale		\$756.68	221150	TOBACCO
E 609-49750-259	Other For Resale		\$177.80	221150	MISC
E 609-49750-256	Tobacco Products For Resale		\$1,023.38	221434	TOBACCO
E 609-49750-259	Other For Resale		\$441.13	221434	MISC
E 609-49750-217	Other Operating Supplies		\$79.10	221434	SUPPLIES
Total M. AMUNDSON LLP			\$3,888.22		
Paid Chk#	023784	8/18/2016	MN MUNICIPAL BEVERAGE ASSOC.		
E 609-49750-433	Dues and Subscriptions		\$1,700.00		ANNUAL DUES
Total MN MUNICIPAL BEVERAGE ASSOC.			\$1,700.00		
Paid Chk#	023785	8/18/2016	RED BULL DISTRIBUTION CO INC		
E 609-49750-254	Mix/Non Alcoholic		\$108.00	13531-397	NA
Total RED BULL DISTRIBUTION CO INC			\$108.00		
Paid Chk#	023786	8/18/2016	TEALS MARKET		
E 609-49750-217	Other Operating Supplies		\$21.96	6255018	SUPPLIES-EE MEETING
Total TEALS MARKET			\$21.96		
Paid Chk#	023787	8/18/2016	VIKING BOTTLING CO.		
E 609-49750-254	Mix/Non Alcoholic		\$148.50	1769501	NA
E 609-49750-254	Mix/Non Alcoholic		(\$17.95)	1769502	NA-CREDIT
Total VIKING BOTTLING CO.			\$130.55		
10900 Liquor Bank			\$12,455.12		

Fund Summary

10900 Liquor Bank	
609 MUNICIPAL LIQUOR FUND	\$12,455.12
	\$12,455.12

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			Check Amt	Invoice	Comment
10900 Liquor Bank					
Paid Chk#	023728	7/5/2016	ARTISAN BEER COMPANY		
E 609-49750-252	Beer For Resale		\$64.00	3110339	BEER
Total ARTISAN BEER COMPANY			\$64.00		
Paid Chk# 023729 7/5/2016 BELLBOY CORP.					
E 609-49750-251	Liquor For Resale		\$5,817.17	54067700	LIQUOR
E 609-49750-333	Freight and Express		\$17.22	54256100	DELIVERY
E 609-49750-251	Liquor For Resale		\$252.00	54256100	LIQUOR
E 609-49750-217	Other Operating Supplies		\$179.00	94099500	SUPPLIES
Total BELLBOY CORP.			\$6,265.39		
Paid Chk# 023730 7/5/2016 BERNICKS					
E 609-49750-254	Mix/Non Alcoholic		\$44.90	131730	NA
E 609-49750-252	Beer For Resale		\$1,015.60	131731	BEER
E 609-49750-254	Mix/Non Alcoholic		\$45.40	131731	NA
E 609-49750-254	Mix/Non Alcoholic		\$66.40	134653	NA
E 609-49750-252	Beer For Resale		\$893.60	134654	BEER
E 609-49750-254	Mix/Non Alcoholic		(\$0.80)	134655	NA-CREDIT
E 609-49750-253	Wine For Resale		(\$7.08)	134656	WINE-CREDIT
E 609-49750-252	Beer For Resale		(\$5.16)	134656	BEER-CREDIT
E 609-49750-254	Mix/Non Alcoholic		\$52.00	137391	NA
E 609-49750-253	Wine For Resale		\$10.60	137392	WINE
E 609-49750-254	Mix/Non Alcoholic		\$22.70	137392	NA
E 609-49750-252	Beer For Resale		\$659.51	137392	BEER
E 609-49750-254	Mix/Non Alcoholic		\$20.00	140253	NA
E 609-49750-252	Beer For Resale		\$2,298.65	140254	BEER
E 609-49750-253	Wine For Resale		\$81.33	140254	WINE
E 609-49750-254	Mix/Non Alcoholic		\$32.00	143415	NA
E 609-49750-252	Beer For Resale		\$2,079.05	143416	BEER
E 609-49750-254	Mix/Non Alcoholic		\$37.90	143416	NA
E 609-49750-252	Beer For Resale		(\$88.00)	143417	BEER-CREDIT
Total BERNICKS			\$7,258.60		
Paid Chk# 023731 7/5/2016 BREAKTHRU BEVERAGE MN					
E 609-49750-251	Liquor For Resale		\$7,568.26	1080483006	LIQUOR
E 609-49750-333	Freight and Express		\$124.32	1080483006	DELIVERY
E 609-49750-333	Freight and Express		\$150.31	1080489358	DELIVERY
E 609-49750-253	Wine For Resale		\$160.00	1080489358	WINE
E 609-49750-251	Liquor For Resale		\$6,588.32	1080489358	LIQUOR
E 609-49750-252	Beer For Resale		\$130.50	1080489359	BEER
E 609-49750-254	Mix/Non Alcoholic		(\$74.11)	2080137656	NA-CREDIT
Total BREAKTHRU BEVERAGE MN			\$14,647.60		
Paid Chk# 023732 7/5/2016 C & L DISTRIBUTING CO.					
E 609-49750-254	Mix/Non Alcoholic		(\$4.75)	355-231	NA-CREDIT
E 609-49750-252	Beer For Resale		(\$24.23)	355-231	BEER-CREDIT
E 609-49750-252	Beer For Resale		(\$2.00)	355-232	BEER-CREDIT
E 609-49750-252	Beer For Resale		(\$63.20)	366-3124	BEER-CREDIT
E 609-49750-254	Mix/Non Alcoholic		\$122.38	558201	NA
E 609-49750-252	Beer For Resale		\$16.00	575463	BEER
E 609-49750-252	Beer For Resale		(\$250.60)	575546	BEER-CREDIT
E 609-49750-254	Mix/Non Alcoholic		\$40.63	576547	NA
E 609-49750-252	Beer For Resale		\$6,168.60	576547	BEER
E 609-49750-252	Beer For Resale		\$787.80	578464	BEER
E 609-49750-254	Mix/Non Alcoholic		\$29.00	578464	NA
E 609-49750-252	Beer For Resale		\$38.40	579431	BEER
E 609-49750-254	Mix/Non Alcoholic		\$19.00	579431	NA

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E 609-49750-254	Mix/Non Alcoholic	\$241.05	579432	NA
E 609-49750-252	Beer For Resale	\$9,186.55	579432	BEER
E 609-49750-253	Wine For Resale	\$24.60	579432	WINE
E 609-49750-252	Beer For Resale	\$884.70	582421	BEER
E 609-49750-254	Mix/Non Alcoholic	\$148.25	582422	NA
E 609-49750-252	Beer For Resale	\$8,969.40	582422	BEER
E 609-49750-252	Beer For Resale	(\$39.20)	584079	BEER-CREDIT
E 609-49750-252	Beer For Resale	\$544.45	585280	BEER
E 609-49750-254	Mix/Non Alcoholic	\$220.60	585281	NA
E 609-49750-252	Beer For Resale	\$12,776.15	585281	BEER
E 609-49750-252	Beer For Resale	(\$107.61)	586996	BEER-CREDIT
E 609-49750-252	Beer For Resale	\$669.80	588200	BEER
E 609-49750-253	Wine For Resale	\$175.00	588200	WINE
E 609-49750-252	Beer For Resale	\$10,367.50	588201	BEER
Total C & L DISTRIBUTING CO.		\$50,938.27		
Paid Chk# 023733 7/5/2016 DAHLHEIMER DISTRIBUTING CO.				
E 609-49750-254	Mix/Non Alcoholic	\$245.25	1201731	NA
E 609-49750-252	Beer For Resale	\$11,347.91	1201731	BEER
E 609-49750-252	Beer For Resale	\$5,824.44	1201775	BEER
E 609-49750-253	Wine For Resale	\$163.91	1201775	WINE
E 609-49750-252	Beer For Resale	\$14,652.57	1204626	BEER
E 609-49750-253	Wine For Resale	\$140.75	1204626	WINE
E 609-49750-260	Deposits	(\$120.00)	1204626	DEPOSITS
E 609-49750-260	Deposits	(\$30.00)	1204700	DEPOSITS
E 609-49750-252	Beer For Resale	\$9,451.44	1204700	BEER
E 609-49750-254	Mix/Non Alcoholic	\$211.60	1204700	NA
E 609-49750-253	Wine For Resale	\$132.50	1204700	WINE
E 609-49750-252	Beer For Resale	(\$72.80)	127254	BEER-CREDIT
E 609-49750-252	Beer For Resale	\$8,874.05	128141	BEER
E 609-49750-253	Wine For Resale	\$396.80	128141	WINE
E 609-49750-254	Mix/Non Alcoholic	\$42.00	128141	NA
E 609-49750-260	Deposits	\$30.00	128141	DEPOSITS
Total DAHLHEIMER DISTRIBUTING CO.		\$51,290.42		
Paid Chk# 023734 7/5/2016 IDEAL MARKETING GROUP				
E 609-49750-343	Other Advertising	\$360.00	62661	ADVERTISING
Total IDEAL MARKETING GROUP		\$360.00		
Paid Chk# 023735 7/5/2016 JOHNSON BROTHERS LIQUOR CO.				
E 609-49750-333	Freight and Express	\$42.12	5456367	DELIVERY
E 609-49750-251	Liquor For Resale	\$1,899.00	5456367	LIQUOR
E 609-49750-253	Wine For Resale	\$441.60	5456367	WINE
E 609-49750-253	Wine For Resale	\$3,119.60	5456368	WINE
E 609-49750-251	Liquor For Resale	\$50.00	5456368	LIQUOR
E 609-49750-333	Freight and Express	\$83.02	5456368	DELIVERY
E 609-49750-252	Beer For Resale	\$21.99	5456369	BEER
E 609-49750-251	Liquor For Resale	\$1,995.76	5456370	LIQUOR
E 609-49750-333	Freight and Express	\$19.44	5456370	DELIVERY
E 609-49750-254	Mix/Non Alcoholic	\$132.50	5461011	NA
E 609-49750-251	Liquor For Resale	\$2,230.85	5461011	LIQUOR
E 609-49750-333	Freight and Express	\$185.61	5461011	DELIVERY
E 609-49750-253	Wine For Resale	\$3,501.15	5461011	WINE
E 609-49750-333	Freight and Express	\$1.62	5461012	DELIVERY
E 609-49750-251	Liquor For Resale	\$302.00	5461012	LIQUOR
E 609-49750-333	Freight and Express	\$102.86	5466906	DELIVERY
E 609-49750-251	Liquor For Resale	\$3,394.10	5466906	LIQUOR
E 609-49750-253	Wine For Resale	\$969.59	5466906	WINE

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E 609-49750-254	Mix/Non Alcoholic	\$64.50	5466906	NA
E 609-49750-252	Beer For Resale	\$246.00	5466907	BEER
E 609-49750-251	Liquor For Resale	\$2,893.50	5466908	LIQUOR
E 609-49750-333	Freight and Express	\$20.25	5466908	DELIVERY
E 609-49750-251	Liquor For Resale	\$793.00	5472177	LIQUOR
E 609-49750-254	Mix/Non Alcoholic	\$59.75	5472177	NA
E 609-49750-253	Wine For Resale	\$2,062.95	5472177	WINE
E 609-49750-333	Freight and Express	\$74.54	5472177	DELIVERY
E 609-49750-252	Beer For Resale	\$43.98	5472178	BEER
E 609-49750-251	Liquor For Resale	\$1,346.09	5472179	LIQUOR
E 609-49750-333	Freight and Express	\$14.58	5472179	DELIVERY
E 609-49750-253	Wine For Resale	\$949.15	5479750	WINE
E 609-49750-333	Freight and Express	\$40.49	5479750	DELIVERY
E 609-49750-254	Mix/Non Alcoholic	\$36.00	5479750	NA
E 609-49750-251	Liquor For Resale	\$290.50	5479750	LIQUOR
E 609-49750-252	Beer For Resale	\$87.96	5479751	BEER
E 609-49750-333	Freight and Express	\$87.47	5479752	DELIVERY
E 609-49750-251	Liquor For Resale	\$7,126.42	5479752	LIQUOR
E 609-49750-253	Wine For Resale	(\$80.00)	574807	WINE-CREDIT
E 609-49750-333	Freight and Express	(\$1.62)	574807	DELIVERY-CREDIT
E 609-49750-333	Freight and Express	(\$1.62)	575226	DELIVERY-CREDIT
E 609-49750-253	Wine For Resale	(\$52.40)	575226	WINE-CREDIT
E 609-49750-333	Freight and Express	(\$1.62)	576046	DELIVERY-CREDIT
E 609-49750-254	Mix/Non Alcoholic	(\$32.00)	576046	NA-CREDIT
E 609-49750-253	Wine For Resale	(\$72.00)	576297	WINE-CREDIT
E 609-49750-333	Freight and Express	(\$3.24)	576297	DELIVERY-CREDIT
E 609-49750-253	Wine For Resale	(\$95.95)	576919	WINE-CREDIT
E 609-49750-333	Freight and Express	(\$1.62)	576919	DELIVERY-CREDIT
Total JOHNSON BROTHERS LIQUOR CO.		\$34,387.87		
Paid Chk# 023736 7/5/2016 MCDONALD DISTRIBUTING				
E 609-49750-252	Beer For Resale	\$323.68	282190	BEER
Total MCDONALD DISTRIBUTING		\$323.68		
Paid Chk# 023737 7/5/2016 MILLNER HERITAGE VINEYARD				
E 609-49750-253	Wine For Resale	\$217.80	6-29-16-10	WINE
E 609-49750-333	Freight and Express	\$4.00	6-29-16-10	DELIVERY
Total MILLNER HERITAGE VINEYARD		\$221.80		
Paid Chk# 023738 7/5/2016 PAUSTIS WINE COMPANY				
E 609-49750-333	Freight and Express	(\$2.50)	8547743-CM	DELIVERY
E 609-49750-333	Freight and Express	\$26.25	8550357	DELIVERY
E 609-49750-253	Wine For Resale	\$2,117.01	8550357	WINE
E 609-49750-333	Freight and Express	\$21.25	8551948	DELIVERY
E 609-49750-253	Wine For Resale	\$1,392.02	8551948	WINE
E 609-49750-253	Wine For Resale	\$120.00	8552250	WINE
E 609-49750-333	Freight and Express	\$2.25	8552250	DELIVERY
Total PAUSTIS WINE COMPANY		\$3,676.28		
Paid Chk# 023739 7/5/2016 PHILLIPS WINE AND SPIRITS				
E 609-49750-253	Wine For Resale	\$234.65	2002197	WINE
E 609-49750-254	Mix/Non Alcoholic	\$41.95	2002197	NA
E 609-49750-251	Liquor For Resale	\$78.40	2002197	LIQUOR
E 609-49750-333	Freight and Express	\$10.53	2002197	DELIVERY
E 609-49750-253	Wine For Resale	\$264.92	2986514	WINE
E 609-49750-333	Freight and Express	\$6.61	2986514	DELIVERY
E 609-49750-251	Liquor For Resale	\$105.50	2986514	LIQUOR
E 609-49750-251	Liquor For Resale	\$194.95	2989709	LIQUOR

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			Check Amt	Invoice	Comment
E 609-49750-333	Freight and Express		\$16.20	2989709	DELIVERY
E 609-49750-253	Wine For Resale		\$448.00	2989709	WINE
E 609-49750-333	Freight and Express		\$17.82	2993750	DELIVERY
E 609-49750-251	Liquor For Resale		\$217.30	2993750	LIQUOR
E 609-49750-253	Wine For Resale		\$185.75	2993750	WINE
E 609-49750-251	Liquor For Resale		\$2,775.40	2997235	LIQUOR
E 609-49750-333	Freight and Express		\$76.14	2997235	DELIVERY
E 609-49750-253	Wine For Resale		\$408.96	2997235	WINE
Total PHILLIPS WINE AND SPIRITS			\$5,083.08		
Paid Chk# 023740 7/5/2016 SOUTHERN GLAZERS OF MN					
E 609-49750-251	Liquor For Resale		\$802.39	1415142	LIQUOR
E 609-49750-333	Freight and Express		\$7.75	1415142	DELIVERY
E 609-49750-333	Freight and Express		\$7.75	1415143	DELIVERY
E 609-49750-253	Wine For Resale		\$210.00	1415143	WINE
E 609-49750-333	Freight and Express		\$6.20	1418129	DELIVERY
E 609-49750-251	Liquor For Resale		\$981.51	1423487	LIQUOR
E 609-49750-333	Freight and Express		\$10.85	1423487	DELIVERY
E 609-49750-333	Freight and Express		\$7.75	1423488	DELIVERY
E 609-49750-253	Wine For Resale		\$210.00	1423488	WINE
Total SOUTHERN GLAZERS OF MN			\$2,244.20		
Paid Chk# 023741 7/5/2016 TKO WINES INC					
E 609-49750-253	Wine For Resale		\$726.70	3705	WINE
E 609-49750-253	Wine For Resale		\$103.20	3711	WINE
Total TKO WINES INC			\$829.90		
Paid Chk# 023742 7/5/2016 VINOPIA					
E 609-49750-253	Wine For Resale		\$280.00	153359	WINE
E 609-49750-251	Liquor For Resale		\$129.00	153359	LIQUOR
E 609-49750-333	Freight and Express		\$10.00	153359	DELIVERY
Total VINOPIA			\$419.00		
Paid Chk# 023743 7/5/2016 WINE MERCHANTS					
E 609-49750-253	Wine For Resale		\$1,560.00	7084962	WINE
E 609-49750-333	Freight and Express		\$27.54	7084962	DELIVERY
Total WINE MERCHANTS			\$1,587.54		
Paid Chk# 023761 7/22/2016 LEAGUE OF MN CITIES INSUR TRST					
E 609-49750-151	Worker s Comp Insurance Prem		\$5,115.00	32428	16 - 17 WORK COMP
Total LEAGUE OF MN CITIES INSUR TRST			\$5,115.00		
Paid Chk# 023762 7/22/2016 VERIZON WIRELESS					
E 609-49750-309	EDP, Software and Design		\$41.52	9768374728	JUL DIGITAL SIGN
Total VERIZON WIRELESS			\$41.52		
10900 Liquor Bank			\$184,754.15		

Fund Summary

10900 Liquor Bank

609 MUNICIPAL LIQUOR FUND	\$184,754.15
	<u>\$184,754.15</u>

RESOLUTION NO. 16 – 23

POLICE OFFICER DECLARATION

WHEREAS, the policy of the State of Minnesota as declared in Minnesota Statutes 353.63 is to give special consideration to employees who perform hazardous work and devoted their time and skills to protecting the property and personal safety of others; and

WHEREAS, Minnesota Statutes Section 353.64 permits governmental subdivisions to request coverage in the Public Employees Police and Fire plan for eligible employees of police department whose position duties meet the requirements stated therein and listed below.

BE IT RESOLVED that the Milaca City Council hereby declares that the position titled Permanent Part-time Police Officer, currently held by Travis Johnson, meets all of the following Police and Fire membership requirements:

1. Said position requires a license by the Minnesota Peace Officer Standards and Training Board under sections 626.84 to 626.863 and this employee is so licensed;
2. Said position's primary (over 50 percent) duty is to enforce the general criminal laws of the state;
3. Said position charges this employee with the prevention and detection of crime;
4. Said position gives this employee the full power of arrest; and
5. Said position is assigned to the Milaca police department.

BE IT FURTHER RESOLVED that this governing body hereby requests that the above-named employee be accepted as a member of the Public Employees Police and Fire Plan effective August 16, 2016, the date of this employee's part-time status.

Adopted this 18th day of August, 2016.

Mayor Harold Pedersen

ATTEST

Greg Lerud, City Manager

CITY OF MILACA

Council Monthly Budget Report

July 2016

DEPT Descr	2016 YTD Budget	2016 YTD Amt	Balance	2016 % of Budget Remain
Airport	\$194,375.00	\$58,983.25	\$135,391.75	69.65%
Assessing	\$12,000.00	\$0.00	\$12,000.00	100.00%
Auditing	\$5,500.00	\$5,500.00	\$0.00	0.00%
Building Inspection	\$51,575.00	\$48,289.07	\$3,285.93	6.37%
City Attorney	\$49,000.00	\$28,054.05	\$20,945.95	42.75%
City Hall	\$272,025.00	\$173,022.32	\$99,002.68	36.39%
City Manager	\$29,450.00	\$18,502.45	\$10,947.55	37.17%
Council	\$12,550.00	\$4,183.54	\$8,366.46	66.67%
Elections	\$2,000.00	\$65.05	\$1,934.95	0.00%
Fire Dept.	\$163,120.00	\$129,146.88	\$33,973.12	20.83%
Historical Society	\$12,000.00	\$1,517.94	\$10,482.06	87.35%
Liaison Officer	\$71,490.00	\$39,490.72	\$31,999.28	44.76%
Libraries	\$27,200.00	\$11,342.21	\$15,857.79	58.30%
Ogilvie	\$32,610.00	\$19,078.24	\$13,531.76	41.50%
Parks	\$172,725.00	\$178,974.54	(\$6,249.54)	-3.62%
Planning Comm.	\$1,500.00	\$16.50	\$1,483.50	98.90%
Police Dept.	\$492,525.00	\$305,871.28	\$186,653.72	37.90%
Public Works	\$273,200.00	\$100,794.32	\$172,405.68	63.11%
Recreation	\$2,500.00	\$0.00	\$2,500.00	100.00%
Treasurer	\$31,000.00	\$18,849.98	\$12,150.02	39.19%
Unallocated	\$13,195.00	\$12,386.37	\$808.63	6.13%
	\$1,921,540.00	\$1,154,068.71	\$767,471.29	39.94%



July 14, 2016

Greg Lerud, City Manager
City of Millaca
255 First Street East
Millaca, MN 56353

Re: Possible SW River Drive Street and Utility Improvement Project
Order Feasibility Report

Dear Greg:

For several years the city has discussed different options for maintenance and improvements to SW River Drive between TH-23 and the cemetery. This road is one of the few remaining roads that in town that has not been addressed as part of the city's pavement management program.

This portion of SW River Drive is presently a paved rural section road approximately 20 to 22 feet in width. The condition of the pavement has failed in several locations.

Previously, discussions of a possible new school building west of the city brought up issues of sanitary sewer and water main extension options for SW River Drive. Although the issue of a new school building west of the river is on hold, other factors including high water conditions on the Rum River continue to raise questions regarding the possibility of extending infrastructure in SW River Drive.

One way to document discussions on what improvements might be possible for SW River Drive would be to complete a formal Feasibility Study for a possible improvement project. The project would include extending sanitary sewer and water mains southward from the existing water treatment plant area. The utilities would be constructed to facilitate further future extensions. The street would be reconstructed after the utilities were installed.

If the council wishes to pursue this project, a Feasibility Report should be ordered. A Feasibility Report would be prepared in letter form and would provide more detailed information on the scope of the improvements and the estimated costs. A Feasibility Report would also review possible assessments in accordance with the city's assessment practice.

The estimated cost to complete the Feasibility Report as described herein is \$4,000 assuming that city hall staff can provide property owner information for the preliminary assessment roll. At this time, we request that the council formally **authorize preparation of a Feasibility Report for the SW River Drive Street and Utility Improvement Project**. This action should be completed by resolution in accordance with the Minnesota Chapter 429 Public Improvement process.

Feel free to contact us if you have any questions or require any additional information.

Regards,
Stantec

A handwritten signature in black ink, appearing to read "Phil Gravel".

Phil Gravel, City Engineer

RESOLUTION NO. 16 – 24

A RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE
AND SALE OF REFUNDING REVENUE BONDS IN AN AGGREGATE
AMOUNT UP TO \$10,000,000, AT THE REQUEST OF GRANDVIEW
CHRISTIAN HOME, AND APPROVING FORMS OF DOCUMENTS
REQUIRED IN CONNECTION THEREWITH

BE IT RESOLVED by the City Council of City of Milaca, Minnesota (the “City” or the “Issuer”), as follows:

1. Authority. Pursuant to Minnesota Statutes, Chapter 462C, as amended (the “Act”), the City is authorized to issue revenue bonds and refunding revenue bonds and sell such bonds at public or private sale as may be determined by the governing body to be most advantageous; and to loan the proceeds of such bonds to provide financing and refinancing for multifamily housing developments and combination housing and health care developments, all as further provided in the Act, and to refund bonds previously issued therefor under the Act. Such bonds are authorized to be secured by a pledge of the revenues to be derived from a loan agreement with the borrower of such proceeds, and by such other security devices as may be deemed advantageous. Under the provisions of the Act, such bonds shall be special, limited obligations, and shall not constitute an indebtedness of the issuer thereof, within the meaning of any state constitutional provision or statutory limitation, nor give rise to a pecuniary liability of the issuer or a charge against its general credit or taxing powers.

Pursuant to Section 462C.14, Subd. 3, of the Act, a city is also authorized to consent to joint action to be taken in accordance with the provisions of the Act, if the cities confirm the necessity of the action to be taken.

2. Prior Preliminary Approval of Bonds and Refunding. On July 19, 2016, the City Council gave preliminary approval to a request from Grandview Christian Home, a Minnesota nonprofit corporation (the “Borrower”), as the successor by merger to Grandview West, Inc., a Minnesota nonprofit corporation (the “Original Borrower”), that the outstanding Housing and Health Care Facilities Revenue Refunding Bonds (Grandview West, Inc. Project), Series 2013 (the “Series 2013 Bonds” or the “Refunded Bonds”), issued in the original aggregate principal amount of \$9,515,000 by the City of Cambridge, Minnesota, be refunded in whole by the Issuer (the “Refunding”).

Pursuant to a resolution adopted by the Cambridge City Council on July 18, 2016, the City of Cambridge has consented to the issuance by the City of Milaca of the Refunding Bonds for the purpose of refunding in full the outstanding Series 2013 Bonds, all within the meaning of and as authorized by Section 462C.14, Subd. 3, of the Act.

3. Public Hearing. A public hearing was held on August 18, 2016, by the City Council (the “Public Hearing”), with respect to the issuance of the Refunding Bonds in an aggregate principal amount not to exceed \$10,000,000. The Public Hearing was called and held as required by the Act and the provisions of section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”) and regulations thereunder. At the Public Hearing all persons present

were afforded an opportunity to express their views with respect to the issuance of the Refunding Bonds. Notice of such hearing was published, no fewer than 15 days in advance of the hearing, in a newspaper of general circulation in the City of Milaca.

4. The Bonds and the Refunding. Pursuant to the authorities hereinabove recited, the City is hereby authorized to issue its Refunding Revenue Bonds (Grandview Christian Home Project), Series 2016 (the "Bonds") in an aggregate principal amount not to exceed \$10,000,000, the proceeds of which, together with such other funds of the Borrower as may be necessary for the purpose, shall be used to provide for the Refunding. The Bonds shall be issued pursuant to a Trust Indenture (the "Indenture") between the City and U.S. Bank National Association, as trustee (the "Trustee"). Pursuant to a Loan Agreement (the "Loan Agreement"), the City will loan the proceeds of the Bonds to the Borrower, and under the Loan Agreement the Borrower will agree to undertake and complete the Refunding. The payments to be made by the Borrower under the Loan Agreement shall be established so as to produce revenue sufficient to pay the principal of, premium, if any, and interest on the Bonds when due. The right, title and interest of the City in, to and under, among other things, the loan repayments payable by the Borrower under the Loan Agreement will be assigned to the Trustee pursuant to the Indenture. The Bonds will be purchased by Northland Securities, Inc. (the "Underwriter") pursuant to a Bond Purchase Agreement by and between the City, the Underwriter and the Borrower (the "Bond Purchase Agreement").

5. Documents Presented. Forms of the following documents relating to the issuance of the Bonds have been submitted to the Issuer and are now on file in the offices of the City Clerk:

- a. Loan Agreement;
- b. Indenture;
- c. Bond Purchase Agreement; and

d. Preliminary Official Statement and form of final Official Statement, the form of the Preliminary Official Statement, together with the insertion of the final underwriting details of the Bonds, including the interest rates thereon, and any other changes deemed necessary or desirable, intended to constitute the form of the final Official Statement, and including all Appendices thereto (together the "Official Statement"), describing the offering of the Bonds, and certain terms and provisions of the foregoing documents.

6. Findings. It is hereby found, determined and declared that:

- a. There is no litigation pending or, to the knowledge of the Issuer, threatened against the Issuer relating to the Refunding, the Bonds, the Indenture, the Loan Agreement or the Bond Purchase Agreement (collectively referred to as the "Bond Documents") or questioning the organization, powers or authority of the Issuer to issue the Bonds or to execute or deliver any of the Bond Documents.

b. The execution and delivery of and the performance of the Issuer's obligations under the Bonds and the Bond Documents do not and will not violate any order of any court or any agency of government or in any proceeding to which the Issuer is a party, or any indenture, agreement or other instrument to which the Issuer is a party or by which it or any of its property is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument.

c. The Loan Agreement provides for payments by the Borrower to the Issuer of such amounts as will be sufficient to pay the principal of, premium, if any, and interest on the Bonds when due.

d. Under the provisions of the Act, the Bonds are not and shall not be payable from or charged upon any funds other than amounts payable pursuant to the Loan Agreement and related documents; the Issuer is not subject to any liability thereon; no owner of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon, nor to enforce payment thereof against any property of the Issuer; neither the Bonds nor any document executed or approved in connection with the issuance thereof shall constitute a pecuniary liability, general or moral obligation, charge, lien or encumbrance, legal or equitable, upon any property of the Issuer; and the Bonds shall not constitute or give rise to a charge against the general credit or taxing powers of the Issuer.

e. Within the meaning of Section 462C.14, Subd. 3, of the Act, the City hereby confirms the necessity of the joint actions being taken pursuant hereto by the City of Cambridge and the City of Milaca, in order to successfully effectuate the refunding of the Series 2013 Bonds. As a consequence of restrictions imposed under section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the City of Cambridge has acknowledged that it is unable, as a result of such restrictions, to issue the Refunding Bonds; consequently, accordingly, the City of Milaca hereby authorizes the joint actions contemplated hereunder in connection with the issuance of the Refunding Bonds by the City of Milaca.

7. Approval and Execution of Documents. The forms of Indenture, Loan Agreement and Bond Purchase Agreement are hereby approved. Officers of the Issuer, as identified in paragraph 12 below, shall execute and deliver the Bond Purchase Agreement, the Indenture and the Loan Agreement, substantially in the forms on file, but with all such changes therein as may be approved by the officers executing the same, which approval shall conclusively be evidenced by the execution thereof. Each of such documents shall be executed and delivered in the name and on behalf of the Issuer by the officers identified in paragraph 12.

8. Approval, Execution and Delivery of the Bonds. The officers of the Issuer are hereby authorized and directed to execute and issue the Bonds, and the Bonds shall be issued in such series and shall be substantially in such forms, mature, bear interest, and be payable according to such terms and shall otherwise contain such terms and provisions as are set forth in the Indenture, which terms are for this purpose incorporated in this Resolution and made a part hereof; provided, however, that the aggregate principal amount of the Bonds, the interest rates

thereon, the amount and dates of the principal payments required to be made with respect thereto, and the rights of optional and mandatory redemption with respect thereto shall all be set forth in the Indenture as executed and shall all be subject to the final approval of the officers of the Issuer who execute and deliver the Indenture in accordance with the provisions of this Resolution, such approval to be conclusively evidenced by the execution thereof; provided further, however, that, in no event shall the aggregate principal amount of the Bonds exceed \$10,000,000, shall the final maturity of the Bonds be in excess of 20 years from the date of issuance thereof, nor shall the net interest cost with respect to the Bonds exceed 5.00 % per annum. The Bonds may recite that they are issued pursuant to the Act and such recital shall, to any extent permitted by law, establish the legality and validity thereof.

The Bonds shall be sold to the Underwriter in accordance with and upon the terms and conditions set forth in the Bond Purchase Agreement. The proposal of the Underwriter to purchase the Bonds, as further provided in the Bond Purchase Agreement, at a purchase price not less than 98% of par (subject to any includable original issue discount), is hereby accepted.

9. Certificates, etc. The officers and employees of the Issuer are authorized to prepare and furnish to Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, certified copies of all proceedings and records of the Issuer relating to the Bonds, and such other affidavits and certificates as may be required to show the facts appearing from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements of fact contained therein.

10. Official Statement. The Issuer hereby consents to the circulation by the Underwriter of the Official Statement, substantially in the form now on file, in offering the Bonds for sale; provided, however, that the Issuer has not participated in the preparation of the Official Statement or independently verified the information in the Official Statement (other than information therein under the caption "The City") and takes no responsibility for, and makes no representations or warranties as to, the accuracy or completeness of such information.

11. Nature of Issuer's Obligations. All covenants, stipulations, obligations, representations, and agreements of the Issuer contained in this Resolution or contained in the aforementioned documents shall be deemed to be the covenants, stipulations, obligations, representations, and agreements of the Issuer to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations, representations, and agreements shall be binding upon the Issuer. Except as otherwise provided in this Resolution, all rights, powers, and privileges conferred, and duties and liabilities imposed upon the Issuer by the provisions of this Resolution or of the aforementioned documents shall be exercised or performed by such officers or agents as may be required or authorized by law to exercise such powers and to perform such duties. No covenant, stipulation, obligation, representation, or agreement herein contained or contained in the documents referred to above shall be deemed to be a covenant, stipulation, obligation, representation, or agreement of any member of the City Council, or any officer, agent, or employee of the Issuer in that person's individual capacity, and neither shall any member of the City Council nor any officer or employee executing the Bonds or such documents be liable personally on the Bonds or be subject to any representation, personal liability or accountability by reason of the issuance thereof. No provision, representation, covenant or

agreement contained in the Bonds, this Resolution or in any other document related to the Bonds, and no obligation therein or herein imposed upon the Issuer or the breach thereof, shall constitute or give rise to a general or moral obligation, or indebtedness or pecuniary liability of the Issuer or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in the Bonds or in any other document related to the Bonds, the Issuer has not obligated to pay or remit any funds or revenues, except for revenues derived from the Loan Agreement that are pledged to the payment of the Bonds.

12. Authorized Officers. The Bonds and the documents referred to herein are authorized to be executed on behalf of the Issuer by the Mayor, the City Manager, the City Clerk and other officers of the City, acting either individually or together; provided, however, that in the event that either the Mayor, the City Manager or the City Clerk shall be unavailable or for any reason be unable to execute the Bonds or any other document to be entered into by the Issuer in connection therewith, any other officer of the Issuer is hereby authorized to act in that capacity and undertake such execution or acts on behalf of the Issuer.

13. Definitions and Interpretation. Terms not otherwise defined in this Resolution but defined in the form of Loan Agreement or Indenture now on file shall have the same meanings in this Resolution and shall be interpreted herein as provided therein. Notices may be given as provided in the Loan Agreement. In case any provision of this Resolution is for any reason illegal or invalid or inoperable, such illegality or invalidity or inoperability shall not affect the remaining provisions of this Resolution, which shall be construed or enforced as if such illegal or invalid or inoperable provision were not contained herein.

14. Qualified Tax-Exempt Obligations. As provided in the Preliminary Resolution, and pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the City hereby designates the Bonds as "qualified tax-exempt obligations," within the meaning of Section 265(b)(3), in an aggregate amount not to exceed \$10,000,000. The Bonds are to be issued on behalf of an organization described in Section 501(c)(3) of the Code and are to be issued as "qualified 501(c)(3) bonds" under Section 145 of the Code. The City, together with all subordinate entities thereof, does not reasonably expect to issue tax-exempt obligations, including the Bonds (other than private activity bonds not constituting "qualified 501(c)(3) bonds") which, when added together with all such obligations heretofore issued by the City in calendar year 2016, will be in an aggregate amount exceeding \$10,000,000 in the current calendar year.

Adopted by the City Council of the City of Milaca this 18th day of August, 2016.

Mayor

Attest: _____
City Clerk

DRAFT: 08/05/2016

\$9,315,000
City of Milaca, Minnesota
Refunding Revenue Bonds
(Grandview Christian Home Project)
Series 2016

LOAN AGREEMENT

Dated as of September 1, 2016

Between

CITY OF MILACA, MINNESOTA

and

GRANDVIEW CHRISTIAN HOME

This instrument was drafted by:

Dorsey & Whitney LLP
Suite 1500
50 South Sixth Street
Minneapolis, Minnesota 55402-1498

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LOAN AGREEMENT

This LOAN AGREEMENT, dated as of September 1, 2016, between CITY OF MILACA, MINNESOTA, a municipal corporation of the State of Minnesota (herein sometimes called the "City" or the "Issuer"), and GRANDVIEW CHRISTIAN HOME, a Minnesota nonprofit corporation, as successor by merger to Grandview West, Inc. (the "Borrower");

WITNESSETH:

WHEREAS, the Borrower is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Borrower wishes to refinance its existing senior housing and assisted living facility in the City of Cambridge, Minnesota, known as GracePointe Crossing (as further described in Section 1.03 hereof, the "Project"); and

WHEREAS, in connection with the Project, the City of Cambridge, Minnesota (the "Prior Issuer") issued its Housing and Health Care Facilities Revenue Refunding Bonds (Grandview West, Inc. Project), Series 2013, in the original principal amount of \$9,515,000 (the "Series 2013 Bonds" or the "Refunded Bonds"); and

WHEREAS, the Borrower, with the assent of the Prior Issuer, has determined to cause to be refunded in full the outstanding Series 2013 Bonds; and

WHEREAS, the Borrower has proposed, with the assent of the Prior Issuer, that the Issuer issue its refunding revenue bonds, and loan the proceeds thereof to the Borrower hereunder, to provide for the refunding of the Refunded Bonds, to fund required reserves and to defray costs of issuance of such refunding revenue bonds, all pursuant to the provisions of Minnesota Statutes, Minnesota Statutes, Chapter 462C, as amended (the "Act"); and

WHEREAS, the Issuer has agreed to issue its \$9,315,000 Refunding Revenue Bonds (Grandview Christian Home Project), Series 2016 (the "Series 2016 Bonds"), pursuant to a Trust Indenture of even date herewith, between the Issuer and U.S. Bank National Association, as Trustee (the "Trustee"), to provide the funds to be loaned to the Borrower hereunder, and to assign its interests in this Loan Agreement (other than certain rights to indemnity, payment of fees and repayment of expenses and advances) to the Trustee as security for the Series 2016 Bonds; and

WHEREAS, the Borrower proposes to execute and deliver to the Trustee a Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents (as more fully described hereinafter, the "Mortgage") of even date herewith, as security for the Bonds and for the performance of the Borrower's obligations under this Loan Agreement;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Article I and in the recitals and succeeding Articles of this Loan Agreement shall, for all purposes of this Loan Agreement and of any agreement supplemental hereto, have the meanings herein specified, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined:

“Act” means Minnesota Statutes, Chapter 462C, as amended.

“Additional Bonds” means any Additional Bonds issued pursuant to Section 2.09 of the Indenture.

“Additional Parity Indebtedness” means Additional Parity Indebtedness incurred by the Borrower pursuant to Section 6.11 hereof.

“Authorized Borrower Representative” means any person at the time designated to act on behalf of the Borrower by written certificate furnished to the Issuer and the Trustee, containing the specimen signature of such person and signed by the President, any Vice President, the Secretary, the Treasurer or the Chief Financial Officer of the Borrower. Such Certificate may designate an alternate or alternates.

“Authorized Issuer Representative” means the person at the time designated to act on behalf of the Issuer by written certificate furnished to the Borrower and Trustee containing the specimen signature of such person and signed on behalf of the Issuer by its Mayor or City Manager, or any deputy or assistant duly authorized so to act. Such certificate may designate an alternate or alternates.

“Bethel Bonds” means the revenue bonds authorized to be issued by the City of Bethel, Minnesota, in an aggregate principal amount not to exceed \$42,000,000, all on a parity with the Series 2016 Bonds pursuant to the Intercreditor and Parity Agreement.

“Bethel Bonds Guarantees” means the Bethel Bonds Limited Guaranty and the Bethel Bonds Reserve Fund Replenishment Guaranty.

“Bethel Bonds Indenture” means the Trust Indenture to be entered into in connection with the issuance of the Bethel Bonds by the City of Bethel, Minnesota, and the Bethel Bonds Trustee, authorizing the issuance of the Bethel Bonds.

“Bethel Bonds Limited Guaranty” means Limited Guaranty Agreement to be entered into in connection with the issuance of the Bethel Bonds from the Guarantor to the Bethel Bonds Trustee

“Bethel Bonds Loan Agreement” means the Loan Agreement to be entered into in connection with the issuance of the Bethel Bonds between the City of Bethel, Minnesota and the Borrower.

“Bethel Bonds Mortgage” means the Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents to be entered into in connection with the issuance of the Bethel Bonds from the Borrower to the Bethel Bonds Trustee.

“Bethel Bonds Reserve Fund Replenishment Guaranty” means the Reserve Fund Replenishment Guaranty Agreement to be entered into in connection with the issuance of the Bethel Bonds from the Guarantor to the Bethel Bonds Trustee.

“Bethel Bonds Trustee” means U.S. Bank National Association, as trustee under the Bethel Bonds Indenture.

“Bond Counsel” means Independent nationally recognized bond counsel designated by the Issuer.

“Bond Documents” means this Loan Agreement, the Indenture, the Mortgage, the Intercreditor and Parity Agreement and the Guarantees.

“Bond Fund” means the Bond Fund established under Section 5.01 of the Indenture.

“Bond Resolution” means the resolution adopted by the Governing Body on August 18, 2016, authorizing the issuance and sale of the Series 2016 Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

“Bonds” means the Series 2016 Bonds, together with any Additional Bonds issued pursuant to Section 2.09 of the Indenture.

“Borrower” means Grandview Christian Home, a Minnesota nonprofit corporation, as successor by merger to Grandview West, Inc., its successors and assigns.

“Call Date” means, whenever used with reference to the Refunded Bonds, October 1, 2018.

“Cash and Liquid Investments” means all unrestricted cash and marketable securities (valued at fair market value), including without limitation, funded depreciation, whether

classified as current or noncurrent assets, held by the Borrower for any of its corporate purposes, excluding amounts in any Funds or Accounts held by the Trustee under the Indenture, and excluding the proceeds of any indebtedness incurred by the Borrower.

“Certificate” means a certification in writing required or permitted by the provisions of this Loan Agreement or the Indenture, signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions of Section 1.02 hereof, each Certificate shall include the statements provided for in said Section 1.02.

“Certified Resolution” means a copy of a resolution of the Governing Body, certified by the City Manager to have been duly adopted by said Governing Body and to be in full force and effect on the date of such certification.

“City” or “Issuer” means City of Milaca, a municipal corporation of the State of Minnesota, its successors and assigns.

“Closing Date” means the date of issuance and initial delivery to the Original Purchaser of the Series 2016 Bonds.

“Cost of Issuance Account” means the Cost of Issuance Account established within the Project Fund, in accordance with the Indenture and this Loan Agreement.

“Costs of Issuance” means costs of issuance of the Series 2016 Bonds, as payable from the Costs of Issuance Account.

“Days Cash on Hand” means the number of days determined by dividing (i) the sum of the Borrower’s Cash and Liquid Investments, by (ii) the quotient resulting from dividing total operating expenses for the fiscal year (as determined by GAAP, but excluding extraordinary losses and expenses, unrealized losses on investments, depreciation expense, amortization expense, and any other non-cash expense) by the number of days in such fiscal year.

“Default” means default by the Borrower in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Loan Agreement, exclusive of any notice or period of grace required for a default to constitute an “Event of Default” as described in Section 7.01 of this Loan Agreement.

“Determination of Taxability” means the issuance of a statutory notice of deficiency by the Internal Revenue Service, or a ruling of the National Office or any District Office, or a final decision by any court of competent jurisdiction that interest on any of the Series 2016 Bonds is includable in the gross income of the recipient under Section 103 and related Sections of the Internal Revenue Code and regulations thereunder because of any act or omission of the Borrower (or any successor or transferee) or of the Trustee, provided that the period for a contest or appeal, if any, of such action, ruling or decision has expired without any such appeal or

contest having been instituted, or, if instituted, such contest or appeal has been unsuccessfully concluded. Inclusion of interest on any of the Series 2016 Bonds in the computation of any alternative minimum tax shall not be a Determination of Taxability.

“Draw Request” means a requisition, substantially in the form set forth as Exhibit B to the Indenture, to be submitted by the Borrower to the Trustee in connection with the disbursement of funds for the payment or reimbursement of Costs of Issuance, in accordance with the provisions hereof and of the Indenture.

“Escrow Agent” means U.S. Bank National Association, its successors and assigns, as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement of even date herewith by and between the Borrower, the Prior Borrower and the Escrow Agent, as amended or supplemented from time to time.

“Event of Default” means an Event of Default described in Section 7.01 of this Loan Agreement which has not been cured.

“Governing Body” means, with respect to the Issuer, the City Council of the Issuer, or its successor as governing body of the Issuer.

“Guarantees” means the Limited Guaranty and the Reserve Fund Replenishment Guaranty.

“Guarantor” means Presbyterian Homes and Services, a Minnesota nonprofit corporation.

“Holder” or “Bondholder” or “Owner” means the person in whose name a Bond shall be registered in the registration records maintained by the Trustee.

“Income Available for Debt Service” means, in any fiscal year, the excess of Operating Revenues over Operating Expenses, but (i) including in Operating Revenues: (a) charitable contributions and interest and income on investments available for operations or debt service (exclusive of any unrealized gains or losses on investments); (b) unrestricted equity transfers of cash or cash equivalents from commonly controlled affiliates; and (c) proceeds of casualty insurance received by the Borrower in connection with mortgaged property where the terms of the mortgage indebtedness permit prepayment thereof with such proceeds and where the Borrower has made a written election to apply such proceeds to such prepayment; and (ii) excluding from Operating Expenses: (a) depreciation, amortization and interest expense; and (b) any loss resulting from the extinguishment of indebtedness.

“Indenture” means the Trust Indenture between the Issuer and U.S. Bank National Association, as Trustee, of even date herewith, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

“Independent”, when used with reference to an attorney, engineer, architect, certified public accountant, or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the Borrower or the transaction to which his Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Issuer or the Borrower as a council member or an officer, director or employee.

“Independent Counsel” means an Independent attorney duly admitted to practice law before the highest court of any state.

“Independent Engineer” means an Independent engineer or engineering firm or an Independent architect or architectural firm selected by the Borrower qualified to practice the profession of engineering or architecture under the laws of Minnesota.

“Intercreditor and Parity Agreement” means the Intercreditor and Parity Agreement authorized to be entered into in connection with the issuance of the Bethel Bonds between the Borrower, the Trustee and the Bethel Bonds Trustee, all pursuant to Section 6.11 hereof.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended.

“Issuer” or “City” means City of Milaca, a municipal corporation of the State of Minnesota, its successors and assigns.

“Land” means the land and interests in land constituting the site of the Project Buildings, as described in Exhibit A to the Mortgage, subject to the provisions of Section 5.08 hereof providing for the release of real property.

“Limited Guaranty” means the Limited Guaranty Agreement of even date herewith from the Guarantor to the Trustee, as the same may be amended from time to time in accordance with the provisions of the Indenture.

“Loan” means the loan from the Issuer to the Borrower of the gross proceeds of issuance of the Bonds, made pursuant to this Loan Agreement.

“Loan Agreement” means this Loan Agreement between the Issuer and the Borrower, dated as of September 1, 2016, as from time to time amended or supplemented.

“Loan Repayments” means the payments made or to be made by the Borrower pursuant to Section 4.02 of this Loan Agreement.

“Mortgage” means the Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents of even date herewith, from the Borrower to the Trustee, and any amendments and supplements thereto.

“Mortgaged Property” means the property subject to the lien of the Mortgage, as described therein.

“Net Proceeds” means, when used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the Borrower, as owner, or the Trustee, as secured party, of the Project Facilities, less the cost of recovery (including attorneys’ fees) of such moneys from the insuring company or the condemning authority.

“New Money Project” means the acquisition, construction and equipping of a new 179-bed replacement skilled nursing facility and 50-unit senior housing facility on the Land, to be financed through the issuance of the Bethel Bonds.

“Operating Expenses” means, in any fiscal year, direct and indirect costs and expenses (including depreciation, allowance for doubtful accounts, amortization and interest expense) incurred by the Borrower, as determined by generally accepted accounting principles and the Borrower’s audited financial statements, provided in accordance with Section 6.02.

“Operating Revenues” means, in any fiscal year, total operating revenue of the Borrower (less contractual allowances and free care), as determined by generally accepted accounting principles and the Borrower’s audited financial statements (provided in accordance with Section 6.02), but excluding extraordinary or non-recurring items (such as any gain resulting from the sale of assets not made in the ordinary course of business).

“Opinion of Counsel” means a written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the Borrower or Issuer and acceptable to the Trustee. If and to the extent required by the provisions of Section 1.02 hereof, each Opinion of Counsel shall include the statements provided for in said Section 1.02.

“Optional Redemption Fund” means the Optional Redemption Fund established under Section 5.02 of the Indenture.

“Original Purchaser” means Northland Securities, Inc.

“Outstanding” when used as of any particular time with reference to Bonds means (subject to the provisions of Section 9.03 of the Indenture pertaining to Bonds held by the Issuer and the Borrower) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall

have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 of the Indenture pertaining to replacement of Bonds.

“Permitted Encumbrances” means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent Engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Buildings, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Borrower, (iv) the Mortgage and the Bethel Bonds Mortgage, (v) any mortgage lien subordinate to the lien of the Mortgage and the Bethel Bonds Mortgage to be granted by the Borrower after the date of issuance of the Series 2016 Bonds in connection with any indebtedness for borrowed money, provided, however, that the terms of any such indebtedness shall require notice of any default thereunder to be provided to the Trustee and shall provide the Trustee with an opportunity to cure any such default, (vi) purchase money security interests granted in connection with the acquisition of Project Equipment, (vii) any intercreditor and parity agreement entered into pursuant to Section 6.11 hereof, and (viii) those additional encumbrances identified in Exhibit B to the Mortgage and the Bethel Bonds Mortgage.

“Prior Borrower” means Grandview West, Inc., a Minnesota nonprofit corporation.

“Prior Indenture” means the Trust Indenture dated as of June 1, 2013, between the Issuer and the Prior Trustee.

“Prior Issuer” means the City of Cambridge, a municipal corporation of the State of Minnesota.

“Prior Loan Agreement” means the Loan Agreement dated as of June 1, 2013, between the Prior Issuer and the Prior Borrower.

“Prior Trustee” means U.S. Bank National Association, acting as trustee under the Prior Indenture.

“Project” means the Project described in Section 1.03 hereof.

“Project Buildings” means each of the buildings currently located on the Land, and all other improvements or buildings now or hereafter located on the Land, as the same may be improved or expanded from time to time, and including all building service equipment and other fixtures incorporated therein or attached thereto, subject to the provisions of Section 5.05 hereof providing for the removal of Project Buildings in accordance therewith.

“Project Costs” mean the costs defined as such in Section 4.03 of the Indenture.

“Project Equipment” means all those items of furnishings, furniture, equipment, and other tangible personal property located in the Project Buildings or otherwise on the Land, subject to the provisions of Section 5.07 providing for the removal of Project Equipment in accordance therewith.

“Project Facilities” means the Land, the Project Buildings and the Project Equipment, all as the same may at any time exist, subject to the provisions of Sections 5.07 and 5.08 hereof providing for the release of property.

“Project Fund” means the Project Fund established under Section 4.02 of the Indenture.

“Qualified Investments” means investments authorized by the Act and described in Section 5.04 of the Indenture.

“Redeem” or “redemption” means “prepay” or “prepayment” as the case may be.

“Refunded Bonds” means the Series 2013 Bonds.

“Refunding Account” means the Refunding Account established within the Project Fund in accordance with the Indenture and this Loan Agreement.

“Reserve Fund” means the Reserve Fund established under Section 5.03 of the Indenture.

“Reserve Fund Replenishment Guaranty” means the Reserve Fund Replenishment Guaranty Agreement of even date with this Loan Agreement from the Guarantor to the Trustee, as the same may be amended from time to time in accordance with the provisions of the Indenture.

“Reserve Requirement” means, whenever used with respect to the Reserve Fund for the Series 2016 Bonds, an amount equal to \$_____.

“Responsible Officer” means, when used with respect to the trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the trustee who customarily performs functions similar to those performed by the persons who at the time

shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Indenture.

“Series 2013 Bonds” or “Refunded Bonds” means the Housing and Health Care Facilities Revenue Refunding Bonds (Grandview West, Inc. Project), Series 2013, issued by the Prior Issuer in the original aggregate principal amount of \$9,515,000, pursuant to the terms and conditions of the Prior Indenture.

“Series 2016 Bonds” means the City of Milaca, Minnesota, Refunding Revenue Bonds (Grandview Christian Home Project), Series 2016, authorized under the Indenture.

“Sinking Fund” means the Sinking Fund established under Section 3.08 of the Indenture.

“Total Principal and Interest Requirements” means, in any fiscal year, the total amount of principal of and interest on any indebtedness of the Borrower, including indebtedness in the form of capitalized leases and installment purchase agreements, with a term (including extensions and renewals) of more than one year, and including any indebtedness represented by Bonds then outstanding, which is to be due and payable in such fiscal year, but excluding any interest expense which has been funded from the proceeds of the Bonds or other indebtedness.

“Trustee” means the trustee at the time serving as such under the Indenture.

“Trust Estate” means the interest of the Issuer in this Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture, including the Mortgage and the Guarantees.

Section 1.02 Characteristics of Certificate or Opinion. Every certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture or this Loan Agreement, shall include: (i) a statement that the person or persons making such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (iii) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (iv) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such Certificate made or given by an officer of the Issuer or the Borrower may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such officer knows that the Opinion of Counsel with respect to the matters upon which his Certificate may be

based as aforesaid is erroneous, or, in the exercise of reasonable care, should have known that the same was erroneous. Any such Opinion of Counsel may be based (insofar as it relates to factual matters with respect to which is in the possession of the Issuer or the Borrower), upon the Certificate of an officer or officers of the Issuer or the Borrower, unless such counsel knows that the Certificate with respect to the matters upon which his opinion may be based as aforesaid is erroneous, or, in the exercise of reasonable care, should have known that the same was erroneous.

Section 1.03 Description of Project. The term "Project" refers to the existing senior housing and assisted living facilities owned by the Borrower and located at 135 Fern Street North in the City of Cambridge, Minnesota. Refinancing for the Project was provided by the Series 2013 Bonds; the Series 2016 Bonds are being issued to refund in full the Series 2013 Bonds.

Section 1.04 Additional Provisions as to Interpretation. All references herein to "Articles", "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement; and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not any particular Article, Section or subdivision hereof.

Whenever in this Loan Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee money or funds in the necessary amount to pay or redeem any Bonds, the amount so to be deposited or held shall be sufficient to pay the principal amount of such Bonds and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any.

Any terms defined in the Indenture or Mortgage but not defined herein shall have the same meaning herein unless the context hereof clearly requires otherwise.

This Loan Agreement is governed by and shall be construed in accordance with the laws of Minnesota.

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ARTICLE II

REPRESENTATIONS, ETC.

Section 2.01 Representations by the Issuer. The Issuer makes the following representations as the basis for its undertakings herein:

- (a) The Issuer is a municipal corporation organized and existing under the Constitution and laws of the State of Minnesota.
- (b) There is no pending or threatened suit, action or proceeding against the Issuer before any court, arbitrator, administrative agency or other governmental authority that challenges the Issuer's execution and delivery of this Loan Agreement or the Indenture or the issuance of the Series 2016 Bonds.
- (c) The execution and delivery of this Loan Agreement and the Indenture will not constitute a breach of or default under any existing law, regulation or ordinance, or any agreement, indenture, mortgage, lease or other instrument to which the Issuer is a party or by which it is bound.
- (d) No member of the Governing Body of the Issuer and no other elected or appointed official who is authorized to take part in the making of this Loan Agreement or the Indenture or the issuance of the Series 2016 Bonds, is directly or indirectly interested in this Loan Agreement, the Series 2016 Bonds, or any contract, agreement or job hereby contemplated to be entered into or undertaken.
- (e) No proceeding of the Issuer for the issuance, execution or delivery of this Loan Agreement or the Indenture has been repealed, rescinded, amended or revoked.
- (f) The Issuer understands that the Official Statement will be used by the Original Purchaser to offer and sell the Bonds. The Issuer has not participated in the preparation of or reviewed the Official Statement. The Issuer has made no independent investigation of the facts and statements provided in the Official Statement, other than the information set forth under the caption "THE ISSUER" and, except for such information, assumes no liability or responsibility for any of the information contained in the Official Statement or the accuracy, completeness or sufficiency thereof.

Section 2.02 Representations, Warranties and Covenants by the Borrower. The Borrower makes the following representations, warranties and covenants:

- (a) The Borrower is a nonprofit corporation duly organized and existing under the laws of Minnesota.

(b) Except to the extent otherwise provided in Section 5.02 hereof, the Borrower intends to own and operate the Project Facilities from the date hereof to the expiration or sooner termination of this Loan Agreement, as provided herein, except to the extent such operation may be interrupted by strikes, riots, fire, casualty or condemnation, acts of God or public enemy or other circumstances beyond the control of the Borrower.

(c) The execution and delivery of this Loan Agreement and the Mortgage and the consummation of the transactions herein and therein contemplated will not conflict with or constitute a breach of or default under the articles of incorporation or bylaws of the Borrower, or any bond, debenture, note or other evidence of indebtedness or any contract, loan agreement or lease to which the Borrower is a party or by which it is bound, or violate any law, regulation or order of the United States or the State of Minnesota or agency or municipal corporation thereof, or any court order or judgment in any proceeding to which the Borrower is or was a party or by which it is bound.

(d) The proceeds of the Series 2016 Bonds to be deposited in the Project Fund, together with the other funds to be contributed by the Borrower in accordance with this Loan Agreement, will be sufficient to pay all costs of refunding the Refunded Bonds, including costs of issuance of the Series 2016 Bonds, as further described herein and in the Indenture.

(e) Except as may be disclosed in the Official Statement, there is no litigation pending, or to the best of its knowledge threatened, against the Borrower affecting its ability to carry out the terms of this Loan Agreement or the Mortgage.

(f) There are no liens or encumbrances on the Land except Permitted Encumbrances.

(g) The Land is currently zoned properly for the Project Facilities.

(h) The Official Statement relating to the issuance and sale of the Series 2016 Bonds, including all Appendices thereto, does not contain any untrue statement of a material fact, and does not omit to state a material fact, required to be stated therein or necessary in order to make the statements contained therein not misleading.

(i) No council member or other officer or employee of the Issuer has a direct or indirect financial interest in this Loan Agreement, the Series 2016 Bonds, the Project or any contract, agreement or job hereby contemplated to be entered into or undertaken.

(j) The Borrower has approved the terms and conditions of the Indenture and the Bonds.

(k) The Borrower shall take no action nor omit to take any action the effect of which would be to jeopardize the tax-exempt status of the Series 2016 Bonds.

(l) All property to be acquired, financed or refinanced with proceeds of the Series 2016 Bonds shall be owned either by an organization described in Section 501(c)(3) of the Internal Revenue Code or a unit of state or local government, all within the meaning of and as required by Section 145(a) of the Internal Revenue Code.

(m) The average weighted maturity of the Series 2016 Bonds does not exceed 120% of the average reasonably expected remaining economic life of the facilities to be refinanced with proceeds of the Series 2016 Bonds, all within the meaning of Section 147(b) of the Internal Revenue Code.

(n) The Borrower is an organization described in Section 501(c)(3) of the Internal Revenue Code, exempt from the payment of federal income taxes under Section 501(a) of the Code, and no revenues derived from any portion of the Project Facilities do or shall constitute revenues from an "unrelated trade or business" within the meaning of Section 513(a) of the Code, or revenues from any "private business use," except as may be specifically contemplated by Sections 145(a) and 141(b) of the Code in amounts that would not require the interest on the Series 2016 Bonds to become includable in the gross income of the recipients thereof, for purposes of Federal income taxation. In furtherance of this covenant, at least 97% of the facilities (measured by square footage and fair market rental value) financed or refinanced by the Series 2016 Bonds is to be used solely and exclusively by organizations described in Section 501(c)(3) of the Internal Revenue Code ("Tax-Exempt Organizations") in activities which do not constitute unrelated trades or businesses, determined by applying Section 513(a) of the Code, and the Borrower will not permit more than 3% of such facilities (measured by square footage and fair market rental value) to be used (i) by a Tax-Exempt Organization in an unrelated trade or business or (ii) in the trade or business of any person other than a unit of state or local government or a Tax-Exempt Organization (whether pursuant to a lease, management agreement or other arrangement), unless such use, according to an opinion of Bond Counsel, does not jeopardize the excludability from gross income, for federal income tax purposes, of interest on the Series 2016 Bonds.

(o) The sum of the principal amount of the Series 2016 Bonds, plus the respective outstanding aggregate principal amounts of all other tax-exempt nonhospital bonds issued on behalf of or for the benefit of the Borrower and all organizations under common management or control with the Borrower (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, do not exceed \$150,000,000, except to the extent specifically permitted by the provisions of Section 145(b) of the Code.

(p) None of the proceeds of the Series 2016 Bonds shall be used to provide an airplane, skybox or other private luxury box, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and the Borrower does not expect that the Project Facilities, or any portion thereof, shall subsequently be used for any of such purposes.

ARTICLE III

ISSUANCE OF THE SERIES 2016 BONDS; REFUNDING OF REFUNDED BONDS; PROJECT FUND

Section 3.01 Undertaking and Completion of Refunding; Operation of the Project Facilities under the Act and the Code. The Borrower shall:

(a) Promptly undertake and complete the refunding of the Refunded Bonds, in accordance with all applicable requirements of the Prior Indenture and Prior Loan Agreement, and as provided herein and in the Indenture.

(b) Operate the Project Facilities in accordance with all pertinent requirements of the Act. The Borrower may make changes in the Project Buildings or items of Project Equipment at any time; provided that no changes will be made which would delete from the Project any essential characteristics of the Project as specified in Section 1.03 nor which materially and adversely affect the total operating unity and efficiency or capacity of the Project Facilities and that, after such changes, the Project Facilities shall remain in compliance with all applicable requirements of law, including the applicable provisions of the Act and of Section 145 of the Internal Revenue Code. The Project Facilities, to the best knowledge of the Borrower, are in compliance with all applicable zoning, planning and building regulations of governmental authorities having jurisdiction of the Project Facilities.

Section 3.02 Agreement to Issue Series 2016 Bonds; Application of Series 2016 Bond Proceeds. In order to provide funds to loan to the Borrower for the payment of Project Costs, the Issuer has, or will have, upon or promptly after the execution of this Loan Agreement, issued and delivered the Series 2016 Bonds to the Original Purchaser thereof and the Issuer has or will have deposited the proceeds of said Series 2016 Bonds, as follows: (i) in the Bond Fund all funded interest (if any) received, in the amount of: \$ -0-; (ii) in the Reserve Fund an amount equal to the Reserve Requirement; and (iii) in the Project Fund the balance of the proceeds received from said sale, as further described in Section 3.03 hereof.

Section 3.03 Deposits to and Disbursements from the Project Fund.

(a) Pursuant to the Indenture, the Trustee has been directed to establish within the Project Fund two separate accounts, the Refunding Account and the Cost of Issuance Account, into which proceeds of the proceeds of the Series 2016 Bonds shall be deposited, as provided in Section 4.02 of the Indenture.

(b) Pursuant to Section 4.02 of the Indenture, proceeds of the Series 2016 Bonds in the amount of \$ _____ are to be deposited in the Refunding Account and are to be transferred forthwith upon receipt by the Trustee to the Escrow Agent, to be applied to the

payment and discharge of the outstanding Refunded Bonds, as provided for in the Escrow Agreement.

(c) Pursuant to Section 4.02 of the Indenture, proceeds of the Series 2016 Bonds in the amount of \$ _____ are to be deposited in the Cost of Issuance Account, together with certain moneys of the Borrower not constituting proceeds of the Bonds. Moneys in the Cost of Issuance Account are to be applied to payment of costs of issuance of the Series 2016 Bonds, as further provided therein. Moneys in the Cost of Issuance Account shall, in accordance with Section 4.05 of the Indenture, be disbursed by the Trustee, upon the direction of the Authorized Borrower Representative. Each disbursement shall be made pursuant to a Draw Request substantially in the form of Exhibit B to the Indenture. Notwithstanding any other provision hereof, the Borrower covenants that the issuance costs financed by the Series 2016 Bonds (including underwriting discount) will not exceed 2.00% of the proceeds of the Series 2016 Bonds.

Section 3.04 Obligation of the Borrower to Cooperate in Furnishing Documents to the Trustee. The Borrower agrees to cooperate in furnishing to the Trustee (i) any documents or directions required by the Trustee to effect payments out of the Project Fund, and (ii) the documents referred to in the Indenture required for the authentication and delivery of the Series 2016 Bonds. Such obligations are subject to any provision of this Loan Agreement or the Indenture requiring additional documentation.

Section 3.05 Borrower Required to Provide for Payment in Full of All Costs of the Project. The Issuer does not make any warranty, either express or implied, that the moneys which will be deposited into the Project Fund, and which under the related provisions of this Loan Agreement and the Indenture will be available for the payment of Project Costs, will be sufficient for such purposes. The Borrower agrees that it shall pay or cause to be paid all such costs and that to the extent such costs exceed the available proceeds of the Series 2016 Bonds, it shall not be entitled to any reimbursement therefor from the Issuer, the Trustee, or the Holders of any of the Series 2016 Bonds, nor shall it be entitled to any diminution in or postponement of payments to be made under Sections 4.02 or 4.04 hereof. Specifically, the Borrower covenants that it will pay or cause to be paid from funds other than proceeds of the Series 2016 Bonds the amount of all costs of issuance of the Series 2016 Bonds (including underwriting discount) in excess of an amount equal to 2.00% of the proceeds of the Series 2016 Bonds.

Section 3.06 Redemption of Refunded Bonds. The Borrower agrees that it will cause the Refunded Bonds to be redeemed in whole on the Call Date and, in connection therewith, will apply proceeds of the Series 2016 Bonds thereto, as provided herein and in the Indenture, and, to the extent that such proceeds are insufficient to pay in full the respective redemption price therefor, the Borrower shall apply such additional funds of the Borrower to such redemption, as may be necessary for the purpose. In furtherance thereof, the Borrower shall cause the redemption of the Refunded Bonds to be effected in accordance with all relevant provisions of

the Prior Indenture and specifically covenants to cause notice of redemption of the Refunded Bonds to be given in accordance with the provisions of the Prior Indenture.

Section 3.07 Title to the Project Facilities. The Issuer acknowledges and agrees that as between the Issuer and the Borrower, the Borrower shall be the sole owner of the Land, the Project Buildings, the Project Equipment and other Project Facilities and shall be entitled to sole and exclusive possession thereof and neither the Issuer, the Trustee nor any Holder of the Series 2016 Bonds shall be entitled to or have any lien on or security interest in the Land, the Project Buildings, Project Equipment, or other Project Facilities or in the Borrower's title thereto or interest therein, except as provided by the Mortgage.

ARTICLE IV

LOAN PAYMENTS AND DEPOSITS

Section 4.01 The Loan. The Issuer agrees, upon the terms and conditions in this Loan Agreement, to lend to the Borrower the gross proceeds of issuance of the Series 2016 Bonds (\$9,315,000) (the "Loan") and further agrees to deposit the net proceeds of sale thereof into the Bond Fund, the Reserve Fund, and the Project Fund established with the Trustee as provided herein and in the Indenture. Such proceeds shall thereafter be invested and disbursed by the Trustee in accordance with the provisions of this Loan Agreement and the Indenture.

Section 4.02 Repayment of Loan. The Borrower covenants and agrees to repay the Loan, together with interest and premium, if any, in Loan Repayments which in the aggregate shall be in an amount sufficient to pay, in full and when due, all the Bonds. To provide for the repayment of the Loan (until the principal of, premium (if any) on and interest on the Bonds shall have been fully paid or provision for payment thereof shall have been made in accordance with the Indenture), the Borrower agrees to pay for the account of the Issuer in immediately available funds the following amounts:

(a) into the Bond Fund or Sinking Fund, as the case may be, (i) on the 25th day of September, 2016, and on the 25th day of each month thereafter, to and until March 25, 2017, a sum equal to one-seventh of the aggregate amount payable as interest on and principal of the Bonds on April 1, 2017, and thereafter on the 25th day of each month a sum equal to (ii) one-sixth of the amount payable as principal of the Bonds on the next semiannual payment date therefor, plus (iii) one-sixth of the amount payable as interest on the Bonds on the next interest payment date, after subtracting (iv) a sum equal to any funded interest originally deposited to the credit of the Bond Fund pursuant to paragraph (a) of Section 5.01 of the Indenture, but not exceeding the amount remaining from time to time in the Bond Fund from such deposit; and

(b) into the Bond Fund or Sinking Fund, as the case may be, forthwith, the amount of the deficiency in the event the funds on deposit in the Bond Fund or Sinking Fund, as the case may be, on any semi-annual interest payment date are for any reason insufficient to pay principal, premium (if any) and interest on the Bonds then due or to become due on any Bond principal or interest payment date (whether at maturity or upon redemption or acceleration of maturity in event of default); and

(c) into the Optional Redemption Fund such amount, if any, as may be necessary and sufficient to provide for the redemption of Bonds subject to redemption from the Optional Redemption Fund in accordance with the provisions of Section 3.01 of the Indenture; and

(d) into the Reserve Fund any amount required at any time to be deposited therein under Section 5.03 of the Indenture; and

(e) into any fund designated by the Trustee for the purpose moneys in the amount determined by the Trustee to be necessary to comply with the provisions of 4.08(d) hereof or Section 5.05 of the Indenture;

(f) subject, however, to the amounts of any credits allowable under Section 4.09 hereof. Each payment by the Borrower under this Section shall be made directly to the Trustee at its corporate trust office for the account of the Issuer for deposit as provided in the Indenture.

Section 4.03 Security Advice Waiver. The Borrower acknowledges that regulations of the Comptroller of the Currency grant the Borrower the right to receive brokerage confirmations of the security transactions as they occur. The Borrower specifically waives such notification to the extent permitted by law and acknowledges that it will receive from the Trustee periodic cash transaction statements that will detail all investment transactions.

Section 4.04 Additional Payments. The Borrower also agrees:

(a) to pay to the Trustee, for itself or remittance to the paying agents, promptly after being billed, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture, (i) an amount equal to the annual fee of the Trustee, as trustee, for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture, (ii) the reasonable fees and charges of paying agents on the Bonds for acting as paying agent as provided in the Indenture, as and when the same become due, and (iii) the reasonable fees and charges of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due; provided, that the Borrower may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses; and

(b) to pay to the Issuer on the Closing Date an issuance fee equal to 0.25% of the original aggregate principal amount of the Series 2016 Bonds, together with such amount or amounts as may be necessary to pay the reasonable costs and expenses incurred by the Issuer in connection with the issuance of the Bonds.

Section 4.05 No Set-Off; Borrower's Obligations Unconditional. The obligation of the Borrower to make the payments required hereby shall be absolute and unconditional. Until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Borrower (i) will perform and observe all of its agreements contained in this Loan Agreement and (ii) will pay without abatement, diminution or deduction (whether for taxes or otherwise) all amounts required to be paid hereunder, regardless of any cause or circumstance whatsoever including, without limiting the generality of the foregoing: any defense, set-off, recoupment or counterclaim which the Borrower may have or assert against the Issuer, the Trustee, any Holder

of a Bond or any other person; any failure of the Issuer to perform any covenant or agreement contained herein or in any other agreement between the Issuer and the Borrower; any indebtedness or liability at any time owing to the Borrower by the Issuer, the Trustee, any Holder of a Bond or any other person; any acts or circumstances that may constitute failure of consideration; damage to or condemnation of the Project Facilities; failure or delay in completion of the Project; eviction by paramount title; commercial frustration of purpose; bankruptcy or insolvency of the Issuer or the Trustee; any change in the tax or other laws of the United States of America or of the State of Minnesota or any municipal corporation of either; foreclosure of the Mortgage; or any failure of the Issuer or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation, arising out of or connected with this Loan Agreement, the Mortgage or the Indenture.

The Borrower hereby waives, to the extent permitted by law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate or cancel, or to limit its liability under, this Loan Agreement or the Mortgage except in accordance with the express terms hereof.

Section 4.06 Interest on Loan Repayments and Other Overdue Payments. In the event the Borrower shall fail to make Loan Repayments required by Section 4.02(a) or 4.02(b) hereof, the installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and if such failure shall result in a failure to pay any principal of, premium, if any, or interest on the Bonds, the Borrower agrees to pay interest on such sum from such date at the rate or rates of interest specified in the Bonds. In the event the Borrower shall fail to make any payment required under Section 4.04 hereof or if advances are made pursuant to Section 7.05 hereof, the item so in default shall continue as an obligation of the Borrower until the amount shall have been fully paid and the Borrower agrees to pay interest on such payment in default at the rate or rates of interest specified in Section 7.05 hereof.

Section 4.07 Options to Prepay Loan: The Series 2016 Bonds will be subject to prior redemption at the option of the Borrower, and the Borrower shall have and is hereby granted the option to prepay the Loan and require the Series 2016 Bonds to be redeemed, on such dates and at such redemption prices as are set forth in Section 3.01 of the Indenture. In addition, the Borrower shall have the right to prepay the Loan and cause Bonds to be redeemed in connection with any defeasance of Bonds pursuant to Article X of the Indenture.

The option of the Borrower to prepay the Loan includes the option to do so on any business day, in whole or in part, and without prepayment premium or penalty, if:

- (i) any material part of the Project Facilities shall be damaged or destroyed or taken in condemnation proceedings, all as further provided in Sections 5.10 and 5.11 hereof; or

(ii) as a result of any changes in the Constitution of the State of Minnesota or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or of a final decree, judgment or order of any court or administrative body (whether state or federal) this Loan Agreement shall have become void or unenforceable or impossible of performance in any material respect in accordance with the intent and purposes of the parties as expressed herein.

To exercise the options granted in this Section, the Borrower shall, at least forty-five (45) days prior to the date upon which such prepayment is to be made, give written notice of such prepayment to the Trustee. Such notice shall request the redemption pursuant to Article III of the Indenture of a specified principal amount of Bonds if less than all outstanding Bonds are to be redeemed and shall otherwise comply with the provisions hereof and of Article III of the Indenture. On or before the date specified for the redemption of the Bonds, the Borrower shall pay the Trustee for deposit in the Optional Redemption Fund an amount which, together with other funds held by the Trustee and available for the purpose, is equal to the redemption price of the Bonds to be redeemed and accrued interest thereon to the redemption date, and in any case, such further amounts, if any, as may be required to redeem the Bonds called for redemption by the Trustee on the redemption date.

The Issuer, at the request at any time of the Borrower and if the Bonds are then callable, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then outstanding Bonds, as may be specified by the Borrower, on the earliest redemption date on which such redemption may be made under such applicable provisions, provided that the Borrower shall have made available funds in adequate amount therefor or shall have made arrangements satisfactory to the Issuer therefor. Except as herein otherwise provided, Bonds shall be called for redemption only upon the direction of the Borrower.

Section 4.08 Tax-Exempt Status of Series 2016 Bonds. It is the intention of the parties hereto that the interest paid on the Series 2016 Bonds will not be included in the gross income of the recipients of said interest by reason of Section 103 and related Sections of the Internal Revenue Code. In order to confirm and carry out such intention:

(a) The Borrower shall (i) provide such Certificates of the Authorized Borrower Representative, opinions of Bond Counsel, and other evidence as may be necessary or requested by the Issuer to establish the tax-exempt status of interest on the Series 2016 Bonds under Section 103 and related Sections of the Internal Revenue Code, and (ii) file such information and statements, acting alone or with the Issuer, with the Internal Revenue Service, as may be required from the Borrower or the Issuer to establish or preserve such tax-exempt status or as may be required by Section 103 and related Sections of the Internal Revenue Code, including Section 149(e) of the Code, and all regulations thereunder and related provisions of law or regulation.

(b) If there shall occur a Determination of Taxability, the Borrower shall have the obligation to, and hereby covenants and agrees that it shall forthwith repay the Loan and cause the corresponding Series 2016 Bonds to be redeemed on the next interest payment date occurring at least 45 days following notice to the Borrower of the Determination of Taxability and the Issuer agrees to call such Series 2016 Bonds for redemption on such date. Any redemption required under this Section shall be effected upon the following terms and conditions:

(i) Within ten days after notice to the Borrower of the Determination of Taxability the Borrower shall give written notice of the Determination of Taxability and of its intention to redeem such outstanding Series 2016 Bonds to the Trustee, stating the date of redemption and the Borrower shall make arrangements satisfactory to the Trustee for the giving of notice required for redemption of such outstanding Series 2016 Bonds and for the transmittal of funds needed for such redemption in advance of that date.

(ii) The aggregate redemption price payable by the Borrower shall be an amount which, when added to all amounts then held under the Indenture and available for the purpose, will be equal to the principal amount of such outstanding Series 2016 Bonds, plus accrued interest thereon to the redemption date, plus a premium equal to 3.00% of the principal amount of the Bonds to be redeemed.

(iii) The Borrower shall also pay an amount equal to the Trustee's and any paying agent's fees under the Indenture, accrued and to accrue until final payment and redemption of such Series 2016 Bonds and all other advances, fees, costs and expenses incurred by the Trustee under the Indenture.

(c) If there shall be a Determination of Taxability and the Borrower shall fail to give notice thereof and of its intention to redeem the Bonds as above described, the Trustee shall nevertheless be authorized to give notice of redemption of such outstanding Series 2016 Bonds on the next interest payment date occurring at least thirty-five (35) days thereafter whenever it shall have determined, in good faith, that a Determination of Taxability has been made; and the Trustee shall give such notice of redemption if the Issuer or any Bondholder shall furnish to the Trustee a copy of the Determination of Taxability duly certified or authenticated to the satisfaction of the Trustee. The Trustee shall furnish to the Borrower and the Issuer a copy of the notice given or to be given by it pursuant to this paragraph, and the Borrower shall thereupon become obligated to pay the aggregate redemption price to the Trustee as a Loan Repayment prior to the redemption date and to pay all fees, expenses, costs and advances of the Trustee and any paying agent under the Indenture.

(d) The Borrower hereby acknowledges and confirms its obligations under Section 148 of the Internal Revenue Code and regulations thereunder. Specifically, the Borrower agrees to comply with the rebate requirements imposed under said Section 148(f) and pertinent regulations, including the requirement to make or cause to be made periodic

computations of the amount subject to rebate thereunder, and to maintain or cause the Trustee to maintain records of such determinations until six years after the retirement of the Series 2016 Bonds, and the requirement to make all required rebate payments to the United States not later than 60 days after each installment computation date to and until the date which is 60 days after the final computation date and for such purpose to pay to the Trustee for the account of the Issuer or to the United States for the account of the Issuer the amount (if any) to be rebated to the United States on account of earnings from nonpurpose investments of gross proceeds (as defined in Section 148(f) of the Internal Revenue Code and regulations thereunder) of the Series 2016 Bonds, all to the extent and in the amounts and at the times required by the Internal Revenue Code and regulations thereunder, including Section 148(f) of the Internal Revenue Code. If the Borrower shall fail to pay or deposit with the Trustee the amount of any rebate payment required to be paid by the Borrower by the date that such payment is due, the Trustee is authorized and directed to make payment of the rebate amount from moneys on deposit in the Optional Redemption Fund or Reserve Fund, and upon notice to the Borrower from the Trustee, the Borrower shall forthwith reimburse the Trustee for any amount so withdrawn from the Optional Redemption Fund or the Reserve Fund. In construing the Borrower's obligations hereunder, all terms used in this paragraph (d) shall have the meanings provided in said Section 148(f) and regulations thereunder, and all provisions set forth in the Indenture for the purpose of complying with said Section and regulations shall be incorporated herein by reference. Rebate payments required to be made by the Borrower shall constitute additional Loan Repayments under Section 4.02 hereof.

Section 4.09 Investment of Funds, Credits. The Borrower shall direct the Trustee to invest moneys on deposit to the credit of any Fund or Account maintained under the Indenture in Qualified Investments. Such investments must be permitted by the Act. Investments permitted under this Section may be purchased through or from the Trustee or any of its affiliates. Investments so purchased shall be deemed at all times to be a part of the respective Fund, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to the respective Fund. Except as hereinafter provided in this Section 4.09, any interest or profit shall be credited to the respective Fund. The Trustee shall redeem or sell any investments so purchased, whenever it shall be necessary to do so in order to provide moneys to meet any payment from any Fund. Neither the Trustee nor the Issuer shall be liable for any loss resulting from any such investment, nor from failure to preserve rights against endorsers or other prior parties to instruments evidencing any such investment. Investment of funds pursuant to this Section shall be limited as to amount and yield of investment in such manner that no part of the outstanding Bonds shall be deemed "arbitrage bonds" under Section 148 of the Internal Revenue Code and regulations thereunder.

Notwithstanding any other provision hereof or of the Indenture, earnings credited to the Reserve Fund shall be transferred to the Bond Fund and shall serve as a credit against the obligation of the Borrower to make Loan Repayments under Section 4.02(a) hereof, no less frequently than semiannually on April 1 and October 1 of each year; provided, however, that no

such transfer shall be made if the effect thereof would be to cause the amount on hand in the Reserve Fund to be less than the Reserve Requirement, as computed in accordance with Section 5.03 of the Indenture.

ARTICLE V

PROJECT FACILITIES

Section 5.01 Use of Project Facilities. The Borrower will use the Project Facilities only in furtherance of its lawful purposes and will cause the Project Facilities to be used and operated as required by the Act or other applicable law.

The Borrower will not use or permit any person to use the Project Facilities for any use or purpose in violation of the laws of the United States, the State of Minnesota, or any ordinance of the Issuer, and agrees to comply with all the orders, rules, regulations and requirements of the State of Minnesota and the Issuer, including the departments and boards of the Issuer, or any other governmental authority having jurisdiction over the Project Facilities. The Borrower shall have the right to contest by appropriate legal proceedings, without cost or expense to the Issuer, the validity of any law, ordinance, order, rule, regulation or requirement of the nature herein referred to.

Section 5.02 Ownership, Maintenance and Possession of Project Facilities by Borrower. The Borrower agrees that so long as the Bonds are outstanding, the Borrower will own the Project Facilities and keep or cause to be kept the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary in the judgment of the Borrower. The Borrower represents that it has no present intention to sell, lease or otherwise dispose of the Project Facilities, other than to provide units to residents in the ordinary course of business, but the Borrower may sell or lease all or any part of the Project Facilities to a unit of state or local government or an organization described in Section 501(c)(3) of the Internal Revenue Code or enter into a lease with such a unit or organization of all or any part of the Project Facilities or enter into an agreement for the management or use of the Project Facilities so long as (i) no such sale, lease or agreement shall be inconsistent with the provisions of this Loan Agreement, the Indenture, the Mortgage or the Act, including Section 5.01 hereof, (ii) the Borrower shall remain fully obligated under this Loan Agreement and the Mortgage as if such sale, lease or agreement had not been made; (iii) subject to Section 5.08, any purchaser shall assume all of the obligations of the Borrower under this Loan Agreement and the Mortgage; and (iv) the Borrower shall cause to be furnished to the Trustee an opinion of Bond Counsel to the effect that the excludability from gross income, for federal income tax purposes, of interest on the Bonds shall not be jeopardized thereby. Any such lease or agreement shall contain a provision that any payment to become due to the Borrower thereunder shall be payable to the Trustee if an Event of Default exists, or the Trustee (with the advice of Counsel) may accept a conditional assignment from the Borrower of any such leases or agreements.

Section 5.03 Liens. The Borrower will pay or cause to be paid all utility charges and other charges arising from the operations at the Project Facilities which, if unpaid, would become a lien on the Project Facilities and will not permit any lien or encumbrance except Permitted

Encumbrances to be established or to remain unsatisfied against the Project Facilities, including any mechanics' liens; provided, that the Borrower may in good faith contest any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom provided the Borrower delivers an opinion of Independent Counsel to the Issuer and the Trustee that, by nonpayment of any such items the Project Facilities or any part thereof will not be subject to loss or forfeiture. If the Borrower does not provide the Issuer and the Trustee with such an opinion the Borrower shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Section 5.04 Taxes and Other Governmental Charges. The Borrower will pay or cause to be paid, as the same respectively become due, any taxes, special assessments, license fees and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the operations at the Project Facilities, or any improvements, equipment or related property installed or brought by the Borrower therein or thereon, or the Loan Agreement, the Indenture, the Mortgage or the interest of the Issuer, the Trustee, or the Bondholders therein. The Borrower may, at its expense, in good faith contest any such taxes, assessments, license fees and other governmental charges and, in the event of any such contest, may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom provided the Borrower delivers an opinion of Independent Counsel to the Issuer and the Trustee that, by nonpayment of any such items, the Project Facilities or any part thereof, or the revenue therefrom, will not be subject to loss or forfeiture. If the Borrower does not provide the Issuer and the Trustee with such an opinion such taxes, assessments, license fees or charges shall be paid promptly by the Borrower.

Section 5.05 Alterations to Project Buildings; Removal.

(a) The Borrower shall have the privilege from time to time at its cost and expense, of remodeling and of making additions, modifications, alterations, improvements and changes (hereinafter collectively referred to as "alterations") in or to the Project Buildings as it, in its discretion, may deem to be desirable for its uses and purposes, subject, however, to the following:

(i) All alterations to the Project Buildings shall be located within the boundary lines of the Land and shall become a part of the Project Facilities, subject to the Mortgage;

(ii) The alterations shall not substantially impair the structural strength, utility or market value thereof or significantly alter the character or purpose or detract from the value or operating efficiency of the Project Facilities, and, in the event that the costs of such alterations shall exceed \$1,000,000, the Borrower shall have delivered to the Trustee a Certificate of the Authorized Borrower Representative to such effect;

(iii) The alterations shall not significantly impair the revenue producing capacity of the Project Facilities, and the Borrower shall have delivered to the Trustee a Certificate of the Authorized Borrower Representative to such effect; and

(iv) The Borrower shall furnish to the Trustee an opinion of an Independent Engineer, at the expense of the Borrower, as to the effect of paragraph (b) if the alterations shall exceed \$1,000,000 in the aggregate.

(v) All work in connection with any alterations shall be done promptly and in good workmanlike manner and in compliance with the building and zoning laws of the Issuer and other governmental subdivisions wherein the Project Facilities are situated, and with all laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments and the appropriate departments, commissions, boards and officers thereof, and shall not violate the provisions of any policy of insurance covering the Project Facilities; and the work shall be prosecuted with reasonable dispatch, unavoidable delays excepted. If any such alterations to the Project Facilities modify the footprint of the Project Facilities, then the Borrower shall deliver to the Trustee a new ALTA survey with respect to the Land, certified to the Title Insurer, the Trustee, the Issuer, the Original Purchaser and the Borrower.

(b) Notwithstanding the foregoing provisions of this Section 5.05, the Borrower shall be permitted to demolish or remove any Project Building no longer necessary in the determination of the Borrower to the overall operating unity of the Project Facilities, if determined by the Borrower to be appropriate or desirable in connection with the New Money Project or the issuance of the Bethel Bonds.

Section 5.06 Installation of Equipment. The Borrower may, from time to time in its discretion and at its own cost and expense, install or place other equipment and tangible personal property in the Project Buildings and on the Land, subject to the lien of the Mortgage. In the event that a lessor, vendor or purchase money lender is entitled to and does remove any equipment or other property, any damage resulting to the Project Facilities therefrom shall be repaired and the Project Facilities restored to their previous condition at the sole expense of the party effecting such removal or at the sole expense of the Borrower. Nothing in this Section 5.06 shall prevent the Borrower from entering into installment sale contracts or leases subsequent to the date hereof for the purchase or installation of personal property to be added to the Project Facilities.

Section 5.07 Removal of Project Equipment. If no Default exists, the Borrower shall have the right to have Project Equipment removed from the Project Facilities released from the lien of the Mortgage, as follows:

(a) The Borrower shall have the privilege from time to time of substituting equipment and related property for any Project Equipment, provided that the effect of such substitution shall

not be to impair the character or revenue producing significance of the Project Facilities. Any such substituted property shall become Project Equipment subject to the lien of the Mortgage in place of the replaced equipment.

(b) The Borrower shall also have the privilege of removing any Project Equipment without substitution therefor provided that the Borrower pay a sum equal to the then value of said Project Equipment as determined by an Independent Engineer or Independent appraiser selected by the Borrower if and so long as any of the Bonds remain outstanding. The Borrower shall pay such amounts to the Trustee for deposit in the Optional Redemption Fund (in addition to any other amounts required therein) or the Reserve Fund, as directed by the Authorized Borrower Representative, and shall deliver to the Trustee a Certificate signed by said Independent Engineer or Independent appraiser setting forth the value of said Project Equipment and a Certificate signed by the Authorized Borrower Representative stating that the removal of such equipment will not impair the character or revenue producing significance of the Project Facilities, provided that if the then current value of any item of equipment so removed is less than \$75,000, such removal may be effected without such deposit and without such determination of value and Certificate by an Independent Engineer or Independent appraiser, upon the delivery to the Trustee of a Certificate to such effect by the Authorized Borrower Representative.

In the event any removal of equipment under this Section causes damage to buildings, the Borrower shall restore or repair such damage at its expense. The Trustee shall execute and deliver as provided in the Indenture such releases or other documents (if any) as the Borrower may properly request in connection with any action taken by the Borrower in conformity with this Section. The removal from the Project Facilities of any portion of equipment pursuant to the provisions of this Section shall not entitle the Borrower to any abatement or diminution of Loan Repayments subsequently due.

Section 5.08 Release of Real Property. If no Default exists, the Borrower shall have the right, at any time and from time to time, to a release of Land from the Mortgage, as follows:

(i) Land not containing any permanent structure necessary for the total operating unity and efficiency of the Project Facilities may be released for the purpose of selling the same to a third person or to facilitate the construction or financing of additions to the Project Buildings or additional structures not related to the Project on the Land, and the Trustee shall, from time to time, release from the Mortgage such real property so sold, pledged or disposed of, but only upon receipt by the Trustee of the following:

(1) A Certificate of an Authorized Borrower Representative setting forth in substance as follows:

(A) The number of acres or square feet of the property to be released,

(B) The calculation of the release price, which shall be equal to the sale price in the event of a sale to an unaffiliated third party or otherwise shall be equal to \$7.00 per square foot,

(C) The property to be released is not needed for the operation of the Project Facilities and is not necessary for the total operating unity and efficiency of the Project Facilities,

(D) The release will not impair the structural integrity of the Project Facilities or the usefulness of the Project Facilities for these purposes and will not inhibit adequate means of ingress to or egress from the Project Facilities,

(E) No Default exists under this Loan Agreement, and

(F) All conditions precedent herein provided for relating to such release have been complied with;

(2) A survey prepared by a registered land surveyor describing and showing the Land, after giving effect to such release;

(3) Cash equal to the release price as certified pursuant to subparagraph (1)(B), which cash shall be deposited in the Optional Redemption Fund or, if the amount on deposit in the Reserve Fund is at the time less than the Reserve Requirement, in the Reserve Fund, to the extent of such deficiency, all as directed by the Authorized Borrower Representative;

(4) A Certificate of an Independent Engineer that the Land to be released does not contain any permanent structure necessary for the total operating unity and efficiency of the Project Facilities; and

(5) An Opinion of Counsel stating that the certificates, opinions and other instruments and cash which have been or are therewith delivered to and deposited with the Trustee conform to the requirements of this Loan Agreement and that, upon the basis of such application, the property may be released from the lien of the Mortgage, and that all conditions precedent herein provided for relating to such release have been complied with.

(ii) The Borrower may at any time or times grant to itself or others easements, licenses, rights of way and other rights or privileges in the nature of easements with respect to the Land, free from the lien of the Mortgage, or the Borrower may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the Trustee will execute and deliver any instrument necessary or

appropriate to confirm and grant or release any such easement, license, right of way or privilege; provided, however, that prior to any such grant or release, there shall have been supplied to the Trustee a Certificate of the Authorized Borrower Representative to the effect (i) that such grant or release is not detrimental to the proper operation of the Project Facilities and (ii) such grant or release will not impair the operating unity or the efficiency of the Project Facilities on such Land or materially and adversely affect the character thereof.

Section 5.09 Insurance. The Borrower shall maintain, or cause to be maintained, at its cost and expense, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities under a policy or policies covering such risks as are ordinarily insured against by similar businesses, including (without limiting the generality of the foregoing) fire and extended coverage in an amount not less than 90% of the full insurable replacement value of the Project Facilities, less an amount equal to the fair market value of the Land, but any such policy may have a deductible amount of not more than \$100,000; provided, however, that such higher deductible shall be permitted if and to the extent consistent with then prevailing industry custom and practice. No policy of insurance shall be so written that the proceeds thereof will produce less than the minimum coverage required by the preceding sentence, by reason of co-insurance provisions or otherwise, unless a recommendation to such effect has been provided in writing to the Borrower and the Trustee by an Independent insurance consultant selected by the Borrower. The term "full insurable replacement value" shall mean the actual replacement cost of the Project Facilities (excluding foundation and excavation costs and costs of underground flues, pipes, drains and other uninsurable items) and equipment, and shall be determined, but not more frequently than the fifth anniversary hereof and every fifth anniversary thereafter, by an insurance consultant or insurer, selected and paid for by the Borrower. All policies evidencing insurance required by this subparagraph (a) with respect to the Project Facilities shall be carried in the names of the Borrower and the Trustee as their respective interests may appear and shall contain standard mortgage clauses which provide for Net Proceeds of insurance resulting from claims per casualty thereunder to the Project Facilities which are less than \$1,000,000 for loss or damage covered thereby to be made payable directly to the Borrower, and Net Proceeds from such claims which are equal to or in excess of \$1,000,000 to be made payable directly to the Trustee. The Net Proceeds of such insurance required by this subparagraph (a) with respect to the Project Facilities shall be applied as provided in Sections 5.10 and 5.11 hereof. The Net Proceeds of such insurance required by this subparagraph (a) with respect to the facilities of the Borrower other than Project Facilities shall be payable to the Borrower.

(b) Comprehensive general public liability insurance, including personal injury liability, and, if the Borrower owns or leases any automobiles, automobile insurance, including owned, non-owned and hired automobiles, against liability for injuries to persons and/or property, in the minimum amount for each occurrence and for each year of \$1,000,000, for

public liability not arising from ownership or operation of automobiles (or other motor vehicles), and in the minimum amount of \$500,000 for each occurrence and for each year for liability arising out of ownership or operation of automobiles (or other motor vehicles) and shall be endorsed to show the Trustee and Issuer as an additional insured. Any such insurance coverage may be subject to a deductible amount of not more than \$50,000.

(c) Such other insurance, including workers' compensation insurance respecting all employees of the Borrower, in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure; provided that the Borrower may be self-insured with respect to all or any part of its liability for workers' compensation.

All insurance required in this Section shall be taken out and maintained in responsible insurance companies selected by the Borrower which are authorized under the laws of Minnesota to assume the risks covered thereby. Not more frequently than once every five years, the Borrower's insurance requirements may be modified in accordance with recommendations of an Independent insurance consultant selected by the Borrower, a copy of which shall be furnished to the Trustee. Each policy shall contain a provision that the insurer shall not cancel or modify it without giving written notice to the Borrower and, with respect to casualty insurance, the Trustee at least thirty (30) days before the cancellation or modification becomes effective. If the Borrower receives notice of cancellation of any policy of insurance required hereunder, other than property casualty insurance, the Borrower shall forthwith provide notice thereof to the Trustee. In lieu of separate policies, the Borrower may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein. The Borrower shall provide to the Trustee annually on February 1 of each year a certificate of the Authorized Borrower Representative to the effect that the Borrower is in compliance with the requirements of this Section and the Trustee shall be authorized to rely on such certificate. The Trustee has no duty or obligation to determine the sufficiency of such insurance requirement.

Section 5.10 Damage or Destruction. The Borrower agrees to notify the Trustee as soon as practicable in the case of damage exceeding \$1,000,000 in amount to, or destruction of, the Project Facilities or any portion thereof resulting from fire or other casualty. In the event that any such damage or destruction does not exceed \$1,000,000, the Borrower shall forthwith repair, reconstruct and restore the Project Facilities to substantially the same or an improved condition or value as existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction and restoration, the Borrower will apply the Net Proceeds of any insurance relating to such damage received by the Borrower to the payment or reimbursement of the costs thereof. Net Proceeds of any insurance relating to such damage up to \$1,000,000 shall be paid directly to the Borrower.

In the event the Project Facilities or any portion thereof is destroyed by fire or other casualty and the damage or destruction is estimated to exceed \$1,000,000, then the Borrower

shall within 90 days after such damage or destruction elect one of the following two options by written notice of such election to the Trustee:

(a) Option A - Repair and Restoration. The Borrower may elect to repair, reconstruct and restore the damaged Project Facilities. In such event, the Borrower shall proceed forthwith to repair, reconstruct and restore the damaged or destroyed Project Facilities to substantially the same condition or value as existed prior to the event causing such damage or destruction and, to the extent necessary to accomplish such repair, reconstruction and restoration, the Borrower will apply the Net Proceeds of any insurance relating to such damage or destruction received by the Borrower from the Trustee to the payment or reimbursement of the costs thereof. So long as no Default exists, any Net Proceeds of insurance relating to such damage or destruction received by the Trustee shall be released from time to time by the Trustee to the Borrower upon the receipt of:

(1) A Certificate of the Authorized Borrower Representative specifying the expenditures made or to be made or the indebtedness incurred in connection with such repair, reconstruction and restoration and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such repair, reconstruction and restoration; and

(2) The written approval of such Certificate by an Independent Engineer.

In the event the Borrower shall elect this Option A, the Borrower shall complete the repair, reconstruction and restoration of the Project Facilities, whether or not the Net Proceeds of insurance received by the Borrower for such purposes are sufficient to pay for the same. Net Proceeds not required for the repair, reconstruction and restoration of the Project Facilities shall be applied to the prepayment of the Bonds or used for such other purpose as the Borrower directs, based upon an opinion of Bond Counsel to the effect that such application of proceeds will not adversely affect the tax exempt status of interest on the Bonds.

(b) Option B - Redemption of the Bonds. In the event that the Borrower shall determine that it is not practical or desirable to rebuild, repair or restore the Project Facilities, or, in case the Borrower is unable to deliver the certificates or reports necessary under Option A of this Section, the Bonds shall be redeemed, in whole or in part, on any business day occurring at least 45 days after the date of the notice given as to exercise of this Option B, and the Net Proceeds shall be deposited in the Optional Redemption Fund and shall be applied for that purpose. In such event, the Bonds shall be redeemed at par plus accrued interest, and redemption shall be effected pursuant to the provisions of, in the manner, and with the effect provided in the Indenture. If the Net Proceeds of insurance, together with all amounts then held by the Trustee under the Indenture available to redeem or retire the Bonds, shall be insufficient to so redeem the

Bonds (including any expenses of redemption), the Borrower shall pay such deficiency to the Trustee as a Loan Repayment; and the Net Proceeds of insurance, together with such Loan Repayment and amounts held by the Trustee under the Indenture, shall to the extent necessary be applied to such redemption of the Bonds at the earliest possible date in accordance with Article III of the Indenture. If the Bonds have been fully paid and all obligations of the Borrower hereunder have been paid or provided for, all remaining Net Proceeds shall be paid to the Borrower.

Section 5.11 Condemnation. If the Project Facilities or any material portion thereof is condemned or taken for any public or quasi-public use and title thereto vests in the party condemning or taking the same, the Borrower hereby irrevocably assigns to the Trustee all its right, title and interest in and to any Net Proceeds of any award, compensation or damages (hereinafter referred to as an "award"), payable in connection with any such condemnation or taking. The Trustee shall cooperate fully with the Borrower in the handling and conduct of any prospective or pending condemnation proceedings with respect to the Project Facilities or any material part thereof.

In the event of any such condemnation or taking, the Borrower shall, within 90 days after the date on which the Net Proceeds are finally determined, elect one of the two following options by written notice of such election to the Trustee.

(a) Option A – Repairs and Improvements. The Borrower may elect to use the Net Proceeds of the award made in connection with such condemnation or taking for additions, repairs and improvements to the Project Facilities. In such event, so long as no Default exists, the Borrower shall have the right to receive such Net Proceeds from the Trustee from time to time upon receipt by the Trustee of:

(1) A Certificate of an Authorized Borrower Representative specifying the expenditures made or to be made in connection with such repairs and improvements and stating that such Net Proceeds, together with any of the moneys legally available for such purposes, will be sufficient to complete such repairs and improvements; and

(2) If such Net Proceeds equal or exceed \$1,000,000 in amount, the written approval of such Certificate by an Independent Engineer.

The Borrower agrees to apply any such Net Proceeds so received solely to the purposes specified in such Certificate. Net Proceeds not required for the repairs and improvements shall be applied to the prepayment of the Bonds or in such other manner as the Borrower directs, based upon an opinion of Bond Counsel to the effect that such application of proceeds will not adversely affect the tax-exempt status of interest on the Bonds.

(b) Option B – Redemption of the Bonds. In the event that any material part of the Project Facilities is condemned, or such use or control thereof is taken by eminent domain, to such extent as to render the same unsatisfactory to the Borrower for continued operation, as determined by the Borrower, or, in case the Borrower is unable to deliver the certificates or reports necessary under Option A of this Section, the Bonds shall be redeemed, in whole or in part, and the Net Proceeds shall be applied for that purpose. In such event, the Bonds shall be redeemed at par plus accrued interest on any business day occurring at least 45 days after the date of the notice given as to exercise of this Option B, and redemption shall be effected pursuant to the provisions of, in the manner and with the effect provided in the Indenture. If the Net Proceeds of condemnation, together with the amount then held by the Trustee under the Indenture available to redeem the Bonds shall be insufficient to redeem the Bonds (including principal, accrued interest, and expenses of redemption), the Borrower shall pay such deficiency to the Trustee as a Loan Repayment, and the Net Proceeds of condemnation, together with such Loan Repayment and amounts held by the Trustee under the Indenture shall to the extent necessary be applied to such redemption of the Bonds at the earliest possible date in accordance with Article III of the Indenture. If the Bonds have been duly paid and all other obligations of the Borrower hereunder have been paid or provided for, any remaining Net Proceeds shall be paid to the Borrower.

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ARTICLE VI

SPECIAL COVENANTS

Section 6.01 No Warranty of Condition or Suitability; Indemnification. The Issuer does not make any warranty, either express or implied, as to the design or capacity of the Project, as to the suitability for operation of the Project, or that it will be suitable for the Borrower's purposes or needs. The Borrower releases the Issuer from, agrees that the Issuer shall not be liable for, and agrees to hold the Issuer, its Governing Body and its respective officers and employees, harmless against, any claim, cause of action, suit or liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project Facilities or the use thereof.

The Borrower further agrees to indemnify and hold harmless the Trustee, the Issuer, their respective Governing Body, and its officers and employees, against any and all losses, claims, damages or liability to which the Trustee, the Issuer, its Governing Body, or their respective officers and employees, may become subject under any law or claim in connection with the issuance and sale of the Bonds, the carrying out of the transactions contemplated by this Loan Agreement, or in connection with the Project Facilities in any manner whatsoever, including in connection with the defeasance and redemption of the Bonds, and to reimburse the Trustee, the Issuer, their respective officers and employees, for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Issuer, its officers and employees, in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions relating thereto or in connection with any audit or inquiry by the Internal Revenue Service with respect to the Bonds. The Trustee and the Issuer agree, at the request and expense of the Borrower, to cooperate in the making of any investigation in defense of any such claim and promptly to assert any or all of the rights and privileges and defenses which may be available to the Trustee and Issuer, respectively. The provisions of this Section shall survive the payment and redemption of the Bonds.

Section 6.02 Financial Statements. The Borrower agrees to furnish to the Trustee and the Original Purchaser no later than 150 days after the close of each fiscal year of the Borrower during the term hereof, a copy of annual audited financial statements of the Borrower for the preceding fiscal year, including a balance sheet and statements of changes in net assets and of unrestricted activities, audited by an Independent certified public accountant. The Borrower may satisfy this requirement through delivery of audited consolidated financial statements of the Borrower and affiliates, so long as, in the supplemental information included therein, there is specific information with respect to the Borrower sufficient to measure compliance with all relevant requirements set forth in this Loan Agreement and the Indenture.

The Borrower also agrees to furnish, upon request of the Original Purchaser or any Holder owning not less than \$1,000,000 in principal amount of outstanding Bonds, quarterly

unaudited financial statements of the Borrower, not more than 45 days after the end of each fiscal quarter, except for its fourth fiscal quarter. Any information furnished by the Borrower under this paragraph shall also be delivered to the Electronic Municipal Market Access System ("EMMA"), operated by the Municipal Securities Rulemaking Board ("MSRB"), in the same manner as each annual report provided by the Borrower under its Continuing Disclosure Agreement, and be accompanied by such identifying information as is prescribed by the MSRB.

The Trustee shall have no duty to review or analyze such financial statements and shall hold such financial statements solely as a repository for the benefit of the Bondholders. The Trustee shall not be deemed to have notice of any information contained therein or event of default which may be disclosed therein in any manner.

Section 6.03 Annual Certificate; Reports. The Borrower agrees to furnish to the Trustee, within 150 days after the end of each fiscal year, a certificate of the Authorized Borrower Representative that there is no Default under this Loan Agreement or the Mortgage, and such Certificate shall set forth specifically whether, under Section 6.09 hereof, the Borrower is required to retain an Independent consultant, and, if such be the case, whether the Borrower has in fact retained an Independent consultant, and, in any event, if such certificate discloses a Default, explaining the nature thereof and specifying the steps being taken to remedy the same. In addition, the Borrower shall render to the Issuer, the Original Purchaser, and the Trustee such additional reports concerning the Borrower, the Bonds or the Project as the Issuer and the Trustee may from time to time reasonably request, or as may be required by any law, regulation or ordinance of the State of Minnesota or of the Issuer.

No later than December 20 of each year, commencing December 20, 2016, the Borrower shall provide or cause to be provided to the Issuer the total principal and interest paid on the Bonds in the preceding twelve-month period and the remaining principal amount of the Bonds outstanding.

Delivery of reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of the foregoing shall not imply a duty to review and shall not constitute constructive notice of any information contained therein or determinable from information contained therein. Unless directed in writing by the Borrower, the Trustee does not have an obligation to post any reports or information or certificates that it receives from the Borrower on any repository for compliance with Rule 15c2-12. If the Trustee is requested in writing by the Borrower to post any information or make any information available to the Holders of the Bonds, then the Borrower shall pay for the Trustee's cost of dissemination of such information.

Section 6.04 Borrower to Maintain its Existence; Conditions Under Which Exceptions Permitted. The Borrower agrees that, so long as the Bonds are outstanding, it will not dissolve or otherwise dispose of all or substantially all of its assets; and will not consolidate with or merge

into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Borrower may, without violating the agreement contained in this Section, consolidate with or merge into another institution, or permit one or more other of such institutions to consolidate with or merge into it, or sell or otherwise transfer to another such institution all or substantially all of its assets as an entirety and thereafter dissolve upon satisfaction of the following conditions: (i) if the surviving, resulting or transferee institution, as the case may be, is other than the Borrower, such surviving, resulting or transferee institution shall assume in writing all of the obligations of the Borrower herein, and shall be a nonprofit corporation and an organization described in Section 501(c) (3) of the Internal Revenue Code; (ii) the Trustee is furnished with a Certificate of the Authorized Borrower Representative to the effect that the surviving, resulting or transferee institution shall have an unrestricted fund balance equal to or greater than that of the Borrower prior to such merger, consolidation or transfer; and (iii) the Borrower shall furnish to the Trustee an opinion of Bond Counsel to the effect that such consolidation, merger or transfer shall have no adverse effect on the excludability of the interest on the Bonds from gross income under Sections 103, 145 and related Sections of the Internal Revenue Code and regulations thereunder.

In no event will the Borrower consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets as an entirety and thereafter dissolve if the effect of any such transaction would be to cause the sum of the principal amount of the Series 2016 Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the Borrower or such other resulting entity, and all organizations under common management or control with the Borrower or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, to exceed \$150,000,000, except to the extent provided to the contrary by the provisions of Section 145(b) of the Code.

If merger or sale or other transfer is made as provided in this Section, the provisions of this Section shall continue in full force and effect and no further merger or sale or other transfer shall be made except in compliance with the provisions of this Section.

Section 6.05 Records and Inspection. The Borrower shall maintain documents and records required by any provision of this Loan Agreement or the Indenture or by law relating to the Project or the affairs of the Borrower (i) including copies of federal, state, municipal and other licenses and permits obtained by the Borrower relating to the operation of the Project Facilities, (ii) including financial books and records reflecting the condition of the Borrower, and (iii) including all other documents, instruments, reports and records subject to such requirements. The Issuer and the Trustee shall have the right to inspect all such materials, except any materials made private or confidential by federal or state law or regulation, and the Project Facilities at all reasonable times and to make such copies and extracts as they may desire. At the request of the Issuer or the Trustee, the Borrower shall furnish to the Issuer or the Trustee, at the Borrower's

expense, a copy of any such materials which are required by the Issuer or the Trustee in the performance of their duties under the Loan Agreement, the Indenture, the Mortgage or the Act.

Section 6.06 Further Assurances, Financing Statements, Maintenance of Lien. The Borrower shall execute any financing statement, supplement to the Mortgage or other instrument which, according to an Opinion of Counsel, is or may be required to carry out the intent of the parties as expressed in this Loan Agreement, the Indenture and the Mortgage. The Borrower shall, at its sole expense, file or cause to be filed any financing statements under the Uniform Commercial Code or similar instruments necessary or requested by the Trustee to perfect and continue the security interest of the Trustee in this Loan Agreement and the payments to be made hereunder, and the security interests granted under the Mortgage, including any financing statements which the Issuer may be required to file under the Indenture. The Borrower shall also, at its sole expense, cause the Mortgage and any supplement to the Mortgage to be filed for record in the office of the County Recorder or Registrar of Titles, or both, and in any other office which the Trustee shall deem necessary or desirable to perfect or maintain the lien of the Mortgage and shall pay any mortgage registration tax or filing fee or other payment for the effective filing thereof. Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the Uniform Commercial Code. In addition, unless the Trustee shall have been notified in writing that any such initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in (i) relying on such initial filing and descriptions in filing any financing or continuation statements or modifications thereto pursuant to this Section 6.06 and (ii) filing any continuation statements in the same filing offices as the initial filings were made. The Trustee shall cause to be filed a continuation statement with respect to each Uniform Commercial Code financing statement relating to the Bonds which was filed at the time of the issuance thereof, in such manner and in such places as the initial filings were made, provided that a copy of the filed original financing statement is timely delivered to the Trustee. The Borrower shall be responsible for the customary fees and reasonable costs incurred by the Trustee in the preparation and filing of all continuation statements hereunder.

Section 6.07 Assignments. The Borrower consents to the pledge and assignment of the Loan Repayments and other interests of the Issuer in this Loan Agreement by the Issuer to the Trustee as provided in the Indenture. Except as otherwise provided in Section 5.02 hereof, the interests and obligations of the Borrower under this Loan Agreement are nonassignable and shall not be assigned except to a trustee in bankruptcy or similar officer pursuant to the Bankruptcy Code or similar law. Without limiting the foregoing, funds and investments in the Bond Fund, Sinking Fund, Optional Redemption Fund, Reserve Fund, and Project Fund and other funds comprising the Trust Estate are trust funds not subject to assignment by the Borrower or execution, attachment, or garnishment by any creditor of the Borrower.

Section 6.08 Observance of Indenture Covenants and Terms. The Borrower will not do, in any manner, anything which will cause or permit to occur any default under the Indenture, but will faithfully observe and perform, and will do all things reasonably necessary so that the Issuer may observe and perform, all the conditions, covenants and requirements of the Indenture. The Issuer agrees that it will observe and perform all obligations imposed upon it by the Indenture and the Bonds.

Section 6.09 Debt Service Coverage Covenant. The Borrower covenants and agrees, commencing with its fiscal year ending September 30, 2019, to conduct its overall operations in such a manner as to provide (A) Income Available for Debt Service at least equal to 120% of Total Principal and Interest Requirements in each fiscal year of the Borrower, and (B) gross revenues which will be sufficient to pay promptly all expenses of operation, maintenance and repair of the Borrower and to provide all other payments required to be made by the Borrower under this Loan Agreement, including payment of all principal of, premium, if any, and interest on the Bonds. To the extent permitted by law, the Borrower further agrees to revise its rates, fees and charges as may be necessary or proper to comply with the provisions of this Section. Notwithstanding the foregoing, in any case where additional long-term indebtedness is incurred by the Borrower in the future to acquire, renovate, or construct capital improvements, principal and interest with respect to such additional indebtedness shall not be included in the Borrower's Total Principal and Interest Requirements until the first fiscal year in which any cash to pay debt service, funded by such indebtedness, is no longer available to the Borrower.

If, in any fiscal year of the Borrower, commencing with its fiscal year ending September 30, 2019, Income Available for Debt Service for such fiscal year has been less than 120% of its Total Principal and Interest Requirements for such fiscal year, then the Borrower at its expense shall retain an Independent consultant selected by it (which consultant may consist of a recognized senior housing, assisted living and nursing home consulting firm or a firm of certified public accountants) to make recommendations with respect to the Borrower's rates, fees and charges and other matters relating to or affecting said Income Available for Debt Service, provided that if the Borrower shall have employed an Independent consultant pursuant to this Section on a continuing basis, the Borrower shall not be required to employ a new Independent consultant or obtain new recommendations. A copy of the Independent consultant's report and recommendations and any supplements thereto shall be filed with the Borrower and the Trustee. The recommendations of the Independent consultant and any supplements thereto shall be presented by the Independent consultant in writing to the Board of Directors of the Borrower. The Borrower agrees that it will, to the extent permitted by law, follow the recommendations of the Independent consultant unless the Board of Directors of the Borrower in good faith resolves in a writing delivered to the Trustee on or before 45 days of receipt of the recommendations of the Independent consultant that such recommendations are not in the best interests of the Borrower and that a proposed alternate set of recommendations of management are likely to achieve the 120% debt service coverage ratio set forth in this Section. So long as an Independent consultant shall be employed and the Borrower accepts and follows the recommendations of the

Independent consultant or such alternate recommendations of the Board of Directors of the Borrower, the Borrower shall be deemed to be in compliance with the covenants provided in this Section with respect to the fiscal year in which the recommendations shall have been presented and all prior fiscal years, notwithstanding that Income Available for Debt Service realized may be less than 120% of its Total Principal and Interest Requirements; and if the Borrower shall also employ the Independent consultant on a continuing basis, to monitor the effect of the recommendations on the Borrower's Income Available for Debt Service in future fiscal years and to supplement the recommendations (if needed, in the opinion of the Independent consultant), then (so long as the Borrower shall continue to accept and follow the recommendations of the Independent consultant and any supplements thereto, or alternate recommendations for any fiscal year from the Board of Directors of the Borrower issued in the manner set forth above), the Borrower shall be deemed in compliance with the covenants provided in this Section in such future fiscal years, notwithstanding that the Borrower's Income Available for Debt Service realized with respect to such future fiscal years may be less than 120% of its Total Principal and Interest Requirements. The Trustee has no duty or obligation to monitor the Borrower's compliance with any recommendations it receives hereunder.

If, with respect to any fiscal year of the Borrower, Income Available for Debt Service for such fiscal year has been less than 100% of its Total Principal and Interest Requirements, based on audited financial statements for the Borrower delivered in accordance with Section 6.02 hereof, there shall be deemed to have occurred an Event of Default hereunder, notwithstanding anything else set forth in this Section.

This Section shall not be construed to prohibit the Borrower from serving indigent patients to the extent required for it to continue its qualification as a tax-exempt organization or to maintain eligibility to participate in the Medicare and Medicaid programs, to comply with any other requirements of law, or from servicing any other class of patients without charge or at reduced rates so long as such service does not prevent the Borrower from satisfying the other requirements of this Section.

Section 6.10 Transfers of Assets. The Borrower covenants that, during the term hereof, except as may otherwise be necessary or desirable in order to maintain the status of the Borrower as an organization described in Section 501 (c)(3) of the Internal Revenue Code, exempt from the payment of income taxes under Section 501 (a) of the Code, it shall not transfer its interest in any of its assets to any person for consideration of less than fair market value, provided, however, that the Borrower may, without violating the covenant set forth in this Section, transfer to a commonly controlled affiliate during any fiscal year of the Borrower operating revenues or other moneys of the Borrower, so long as: (a) at the time no Event of Default shall have occurred or be continuing hereunder; and (b) at the time the amount on hand in the Reserve Fund is at least equal to the Reserve Requirement, (c) for the prior fiscal year, the Borrower shall have had Income Available for Debt Service at least equal to 120% of Total Principal and Interest Requirements, and (d) as of the final day of the prior fiscal year of the Borrower, the Borrower

had not less than 60 Days Cash on Hand, as required by Section 6.12 hereof. In the event that the Borrower makes a transfer to a commonly controlled affiliate and such transfer is thereafter deemed to violate the provisions of this Section, the Borrower shall forthwith seek to have all necessary funds or property returned from such affiliate in order to maintain compliance with this covenant.

Section 6.11 Additional Parity Indebtedness. The parties acknowledge and agree that, notwithstanding anything else set forth in this Section or this Loan Agreement generally, the Bethel Bonds described herein are and shall be authorized to be issued hereafter all on a parity under the Mortgage with the Series 2016 Bonds, and that, pursuant to the Intercreditor and Parity Agreement, the liens of the Mortgage and the Bethel Bonds Mortgage, respectively, shall be deemed consolidated thereunder into a consolidated parity lien. As a strict condition to the issuance of the Bethel Bonds, the Borrower, the Trustee and the Bethel Bonds Trustee shall enter into the Intercreditor and Parity Agreement, containing terms and conditions conforming substantially to the requirements of this Section.

Subject to the conditions set forth below, the Borrower also may incur Additional Parity Indebtedness secured on a parity with the Mortgage to provide financing for improvements or additions to the Project Facilities, or, subject to applicable law, to refund any Bonds then outstanding or any Additional Parity Indebtedness, or any combination of such purposes:

(a) The Borrower must either: (i) deliver to the Trustee a Certificate signed by an Independent certified public accountant or firm of certified public accountants selected by the Borrower demonstrating, for each of the prior two Fiscal Years of Borrower, Income Available for Debt Service equal to not less than 120% of Total Principal and Interest Requirements on all outstanding Bonds and any outstanding Additional Parity Indebtedness, together with the maximum Total Principal and Interest Requirements on such Additional Parity Indebtedness for any future year, but excluding, for purposes of such computation, the Total Principal and Interest Requirements on any outstanding Bonds or outstanding Additional Parity Indebtedness to be refunded or refinanced by such Additional Parity Indebtedness, or (ii) deliver to the Trustee an examined financial forecast prepared by an Independent certified public accountant or firm of Independent certified public accountants selected by the Borrower demonstrating, for a period of not less than five years, commencing with the year following the year in which the Additional Parity Indebtedness is incurred or, if the Additional Parity Indebtedness is incurred to finance improvements or additions to the Project Facilities, commencing in the year following the completion of such improvements or additions, Income Available for Debt Service equal to not less than 125% of Total Principal and Interest Requirements on all outstanding Bonds and outstanding Additional Parity Indebtedness, and including for such purpose the maximum Total Principal and Interest Requirements on the proposed Additional Parity Indebtedness for any future year, but excluding from such calculation the Total Principal and Interest Requirements on any outstanding Bonds or other outstanding Additional Parity Indebtedness to be refunded or refinanced by such Additional Parity Indebtedness.

(b) The Loan Agreement shall be in effect and no Event of Default shall exist thereunder.

(c) The exclusion from gross income, for federal income tax purposes, of interest on any outstanding Bonds or other Additional Parity Indebtedness shall not be impaired by the Additional Parity Indebtedness and the Trustee shall have been furnished with an opinion of Bond Counsel to such effect.

(d) The documents or instruments creating the Additional Parity Indebtedness shall contain the following provisions:

(1) a cross default provision with respect to the Loan Agreement and the Mortgage;

(2) provisions (which may be contained in a separate agreement to which the Trustee is a party) to the effect that, prior to exercising any remedies upon a default or event of default by Borrower under any instrument or document relating to the Additional Parity Indebtedness, the holders of the Additional Parity Indebtedness (or a trustee representing their interests) shall cooperate with the Trustee to the end that the interests of those holders and the Holders of the Outstanding Bonds shall be protected equally and ratably;

(3) any additional provisions which are deemed by Bond Counsel to be necessary or advisable to provide for cooperation between the holders of the Additional Parity Indebtedness (or their trustee) and the Holders of the Outstanding Bonds or the Trustee in view of the pari passu nature of the Bonds and the Additional Parity Indebtedness with respect to any payment from the proceeds of the foreclosure of the property mortgaged pursuant to the Mortgage; and

(4) a provision that all Additional Parity Indebtedness and all indebtedness, liabilities and obligations of Borrower under the Loan Agreement and the Indenture shall be payable and secured equally and ratably by all security provided for any or all of them, except that Additional Parity Indebtedness shall not be protected or secured by funds and accounts created under the Indenture or any amounts contained therein, or by the Loan Agreement or the Guarantees.

(e) In connection with the issuance of the Additional Parity Indebtedness, there shall be delivered to the Trustee an Opinion of Independent Counsel to the Borrower, to the effect that each of the instruments and documents described in this Section complies with the requirements of this Section and is a legal, valid, binding and enforceable obligation of the Borrower, with appropriate exceptions for bankruptcy, insolvency and similar laws and for equitable principles. The Opinion of Independent Counsel shall be delivered to the Trustee at least 30 days prior to

the incurrence of the Additional Parity Indebtedness or within any shorter period which is satisfactory to the Trustee.

(f) The Borrower will take all actions (including but not limited to amending or supplementing the Indenture, this Loan Agreement and the Mortgage and any other collateral instrument or document) and will execute, deliver, file and record all instruments and documents of security which are required by this Loan Agreement and the Mortgage, which relate to the Additional Parity Indebtedness, which are required by law or which the Borrower or the Trustee, upon the advice of Independent Counsel, determines to be necessary or advisable to make or grant the holders of the Additional Parity Indebtedness a right to payment from and an assignment of or a security interest in any property, or to secure those holders otherwise, on a parity with all other holders of Additional Parity Indebtedness and secured on a parity as set forth in Section 6.11(d)(4) above.

(g) As a condition to the incurrence of the Additional Parity Indebtedness, Borrower shall execute, deliver, file and record and cause to be executed, delivered, filed and recorded all instruments and documents which are required by this Loan Agreement which relate to the Additional Parity Indebtedness, which are required by law or which Borrower or the Trustee, upon the advice of Independent Counsel, determines to be necessary or advisable to make or grant to the Trustee an assignment of or a security interest in any property which is the subject of an assignment made or a security interest granted to the holders of the Additional Parity Indebtedness and not theretofore made or granted to the Trustee, or to secure the Trustee otherwise, on a parity with the holders of the Additional Parity Indebtedness.

(h) The actions taken pursuant to this Section shall be taken to the end that all of the outstanding Additional Parity Indebtedness and the Loan shall be of equal rank and shall be entitled to share on a parity in all security granted under this Loan Agreement and the Mortgage, except that Additional Parity Indebtedness shall not be protected or secured by funds or accounts created under the Indenture, the Trust Estate or this Loan Agreement.

(i) Within a reasonable period after the incurrence of any Additional Parity Indebtedness, Borrower shall deliver to the Trustee conformed copies of all instruments and documents supporting or evidencing the Additional Parity Indebtedness.

Section 6.12 Days Cash on Hand. As of the final day of each fiscal year, commencing with the fiscal year ending September 30, 2019, and continuing throughout the term hereof, the Borrower shall maintain not less than 60 Days Cash on Hand. Not more than 120 days following each such fiscal year, the Borrower shall furnish to the Trustee a Certificate, signed by the Authorized Borrower Representative, setting forth the Borrower's Days Cash on Hand as of the final day of the fiscal year then ended, and stating whether the requirements of this Section have been met.

If, as of the final day of any fiscal year of the Borrower, commencing with the fiscal year ending on September 30, 2019, the Borrower has less than 60 Days Cash on Hand, then the Borrower shall at its expense retain an Independent consultant (which consultant may consist of a recognized senior housing, assisted-living and nursing home consulting firm or a firm of certified public accountants) to make recommendations with respect to the Borrower's rates, fees and charges and other matters relating to or affecting said Days Cash on Hand, provided that if the Borrower shall have employed an Independent consultant pursuant to this Section on a continuing basis, the Borrower shall not be required to employ a new Independent consultant or obtain new recommendations. A copy of the Independent consultant's report and recommendations and any supplements thereto shall be filed with the Borrower and the Trustee. The recommendations of the Independent consultant and any supplements thereto shall be presented by the Independent consultant in writing to the Board of Directors of the Borrower. The Borrower agrees that it will, to the extent permitted by law, follow the recommendations of the Independent consultant unless the Board of Directors of the Borrower in good faith resolves in a writing delivered to the Trustee on or before 60 days of receipt of the recommendations of the Independent consultant that such recommendations are not in the best interests of the Borrower and that a proposed alternate set of recommendations of management are likely to achieve the 60 Days Cash on Hand requirement set forth in this Section. So long as an Independent consultant shall be employed and the Borrower accepts and follows the recommendations of the Independent consultant or such alternate recommendations of the Board of Directors of the Borrower, the Borrower shall be deemed to be in compliance with the covenants provided in this Section with respect to the fiscal year in which the recommendations shall have been presented and all prior fiscal years, notwithstanding that the Borrower may not have had 60 Days Cash on Hand, as required; and if the Borrower shall also employ the Independent consultant on a continuing basis, to monitor the effect of the recommendations on the Borrower's cash on hand in future fiscal years and to supplement the recommendations (if needed, in the opinion of the Independent consultant), then (so long as the Borrower shall continue to accept and follow the recommendations of the Independent consultant and any supplements thereto, or alternate recommendations for any fiscal year from the Board of Directors of the Borrower issued in the manner set forth above), the Borrower shall be deemed in compliance with the covenants provided in this Section in such future fiscal years, notwithstanding that the Borrower may not have had 60 Days Cash on Hand, as required pursuant hereto.

[The balance of this page is intentionally left blank.]

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01 Events of Default. The following shall be "Events of Default" under this Loan Agreement and the term "Event of Default" shall mean, whenever used in this Loan Agreement, any one or more of the following events:

- (a) If the Borrower fails to pay the amount of any Loan Repayment required to be paid under Section 4.02 hereof and if, as a result thereof, moneys sufficient to pay the principal of, premium, if any, or interest on any Bond then due shall not be available in the Bond Fund (but only after any transfers permitted to be made thereto from the Reserve Fund have been made) or if the Borrower fails to make a monthly payment in replenishing of the Reserve Fund, as and to the extent required by Section 5.03 of the Indenture; or
- (b) If the Borrower shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in this Loan Agreement on the part of the Borrower to be performed, and such Default shall have continued for a period of thirty days after written notice, specifying such Default and requiring the same to be remedied, shall have been given to the Borrower by the Issuer or Trustee; or
- (c) If any representation or warranty of the Borrower made herein or in any report, certificate or financial statement provided by the Borrower in connection with this Loan Agreement shall prove to be false or misleading in any material respect; or
- (d) If any event of default shall exist under the Mortgage; or
- (e) If there shall be any event of default under the Bethel Bonds Loan Agreement, the Bethel Bonds Indenture, under any Additional Parity Indebtedness, or any Additional Parity Indebtedness incurred pursuant to the Bethel Bonds Loan Agreement; or
- (f) If the Borrower files a petition in voluntary bankruptcy, for the composition of its affairs or for its reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of its property; or
- (g) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Borrower an insolvent, or adjudging the Borrower bankrupt, or appointing a trustee or receiver of the Borrower or of the whole or any substantial part of the property of the Borrower under any applicable law or statute of the United States of America or any State thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or

(h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Borrower or of the whole or any substantial part of its property, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control.

The provisions of paragraph (b) of this Section are subject to the following limitations: (1) If by reason of force majeure the Borrower is unable in whole or in part to carry out its agreements contained herein, the Borrower shall not be deemed in default during the continuance of such disability. The term "force majeure" as used herein includes but is not limited to the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, municipal corporations or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Borrower. (2) If the Default can be remedied but not within a period of thirty days after notice and if the Borrower has taken all action reasonably possible to remedy such Default within such thirty day period, the Default shall not become an Event of Default for so long as the Borrower shall diligently proceed to remedy such Default and in accordance with any directions or limitations of time made by the Trustee. The Borrower agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Borrower from carrying out its agreements.

Section 7.02 Remedies on Default. Whenever any Event of Default shall have happened and be subsisting, any one or more of the following steps may be taken:

(a) The Trustee may declare all or any amounts of Loan Repayments thereafter to become due and payable under Section 4.02 hereof or otherwise for the remainder of the term of this Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Trustee may foreclose the Mortgage or take whatever action in law or in equity which appears necessary or desirable to enforce this Loan Agreement, the Mortgage, the Guarantees or the Indenture in accordance with the provisions thereof.

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied as provided in Section 7.05 of the Indenture.

Whenever any Default shall occur, the Trustee (or the Issuer directly and without the necessity of consent of or joinder by the Trustee, with respect to Sections 4.04(b), 6.01, 7.04 and 7.05 hereof) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due or to enforce

performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement or the Mortgage.

Section 7.03 Remedies Cumulative, Delay Not to Constitute Waiver. No remedy conferred upon or reserved to the Issuer, the Trustee, or a receiver by this Loan Agreement, or the Mortgage is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement, the Guarantees or the Mortgage or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power, and any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer, the Trustee, or a receiver to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any agreement contained in this Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to a particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.04 Agreement to Pay Attorneys' Fees and Expenses. In the event the Borrower should default under any of the provisions of this Loan Agreement, or the Mortgage and the Issuer, the Trustee, or a receiver should employ attorneys or incur other expenses for the collection of payments due or to become due hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained in this Loan Agreement, or the Mortgage, the Borrower agrees that it will on demand therefor reimburse the reasonable fee of such attorneys and such other expenses so incurred.

Section 7.05 Advances. In the event the Borrower shall fail to pay any Loan Repayments under Section 4.02 hereof, or to do any other thing or make any other payment required to be done or made by any other provision of this Loan Agreement, or the Mortgage, the Issuer or the Trustee, each in its own discretion, may do or cause to be done any such thing or make or cause to be made any such payment at the expense or as an advance for the account of the Borrower, and the Borrower shall pay to the Issuer or the Trustee, as the case may be, upon demand, all costs and expenses so incurred and advances so made, with interest at the rate of eight percent (8.00%) per annum. Any such advance shall be entitled to priority of payment from any funds thereafter received from the Borrower or under Section 7.02.

[The balance of this page intentionally left blank.]

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Amounts Remaining in Funds. It is agreed by the parties hereto that any amounts remaining in the Bond Fund, Sinking Fund, Reserve Fund, Optional Redemption Fund or Project Fund after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and any additional amounts payable to the Trustee or the Issuer and fees, charges and expenses of any paying agents and all other amounts required to be paid under the Indenture, shall belong to and be paid to the Borrower by the Trustee as overpayment of the Loan Repayments under Section 4.02 hereof.

Section 8.02 Notices. All notices, certificates, requests or other communications hereunder shall be sufficiently given and shall be deemed given when delivered personally or mailed by first class mail, addressed as follows:

- | | | |
|----|---------------------------|--|
| A. | To the Issuer | City of Milaca
255 1 st Street East
Milaca, MN 556353-1609
Attention: City Manager |
| B. | To the Borrower | Grandview Christian Home
2845 Hamline Avenue North,
Suite 200
Roseville, Minnesota 55113
Attention: Chief Financial Officer |
| C. | To the Trustee | U.S. Bank National Association
60 Livingston Avenue
3rd Floor
EP-MN-WS3C
St. Paul, MN 55107
Attention: Corporate Trust Services |
| D. | To the Original Purchaser | Northland Securities, Inc.
45 South Seventh Street
Suite 2000
Minneapolis, MN 55402
Attention: Public Finance |

A duplicate copy of each notice, certificate, request or other communication given hereunder to the Issuer, the Borrower, the Trustee or the Original Purchaser shall also be given to the others. The Borrower, the Issuer, the Trustee and the Original Purchaser may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 8.03 Reference to Bonds Ineffective after Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Issuer and the Trustee and any paying agents of the Bonds, all references in this Loan Agreement to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the Holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have heretofore vested.

Section 8.04 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and their respective successors, heirs and assigns, and subject to the further limitation that any obligation of the Issuer created by or arising out of this Loan Agreement shall not be a general debt of the Issuer but shall be payable solely out of the proceeds derived from this Loan Agreement or the sale of the Bonds.

Section 8.05 Amendments, Changes and Modifications. Except as otherwise provided in this Loan Agreement or in the Indenture, subsequent to the issuance of the Bonds and prior to payment of the Bonds in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee, and the Indenture and the Mortgage may not be effectively amended, changed, modified, altered or terminated except as provided in the Indenture.

Section 8.06 Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same Loan Agreement.

Section 8.07 Severability. In case any section or provision of this Loan Agreement, or in case any covenant, stipulation, obligation, agreement, act, or action, or part thereof, made, assumed, entered into, or taken under this Loan Agreement, or any application thereof, is for any reason held to be illegal or invalid, or is at any time inoperable by reason of any law, or actions thereunder, such illegality or invalidity or inoperability shall not affect this remainder thereof or any other section or provision of the Loan Agreement or any other covenant, stipulation, obligation, agreement, act, or action, or part thereof, made, assumed, entered into, or taken under this Loan Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein, nor shall such illegality or invalidity or inoperability or any application thereof affect any legal and valid and operable application therefor from time to time, and each such section, provision, covenant, stipulation, obligation,

agreement, act, or action, or part thereof, shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent from time to time permitted by law.

Section 8.08 Captions. The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 8.09 Benefit of Bondholders. This Loan Agreement is executed in part to induce the purchase by others of Bonds to be issued by the Issuer, and accordingly all covenants and agreements on the part of the Borrower and the Issuer as set forth in this Loan Agreement are hereby declared to be for the benefit of the owners from time to time of the Bonds. Notwithstanding the foregoing, those provisions of Sections 6.05, 7.04 and 7.05 which confer certain rights upon the Issuer are intended to permit the Issuer to protect its interests under Sections 4.04(b), 6.01 at 7.04 and 7.05 hereof, and are not for the benefit of the Borrower, Trustee or Bondholders, and may be exercised by the Issuer in its sole discretion. The Issuer shall not be liable to the Borrower, Trustee or Bondholders for any action or failure to act in asserting its rights under said Sections.

Section 8.10 Limitation on Liability of the Issuer. It is understood and agreed by the Borrower that the Bonds shall not be general obligations of the Issuer or give rise to a charge against the general credit or taxing powers of the Issuer, but rather shall be special obligations payable solely from revenues pledged and assigned to the payment thereof and secured by this Loan Agreement. No Holder or Holders of the Bonds shall ever have the right to compel any exercise of the taxing power of the Issuer to pay the Bonds or the interest or premium, if any, thereon, nor to enforce payment thereof against any property of the Issuer except the revenues under this Loan Agreement pledged to the payment thereof. No failure of the Issuer to comply with any term, condition, covenant or agreement herein shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charge, and no execution on any claim, demand, cause of action or judgment shall be levied upon or collected from the general credit, general funds or taxing power of the Issuer. The Bonds shall not constitute a debt of the Issuer within the meaning of any constitutional, statutory or charter limitation.

Section 8.11 Term of Agreement. Except as otherwise provided herein, this Loan Agreement shall remain in full force and effect from the date of execution hereof until such time as the Indenture has been discharged in accordance with its terms.

[The balance of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Loan Agreement to be duly executed in their respective names, all as of the date first above written, but actually on the ____ day of August, 2016.

CITY OF MILACA

By _____
Mayor

And by _____
City Manager

[Signature page to Loan Agreement dated as of September 1, 2016,
between City of Milaca and Grandview Christian Home]

GRANDVIEW CHRISTIAN HOME

By _____
Its Chief Financial Officer

[Signature page to Loan Agreement dated as of September 1, 2016,
between City of Milaca and Grandview Christian Home]

4818-3671-88993

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST __, 2016

REFUNDING ISSUE

NOT RATED

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on current law, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Such interest is included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions and in adjusted current earnings of corporations for federal alternative minimum tax purposes. The Series 2016 Bonds have been designated by the City as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein.

\$9,200,000*

CITY OF MILACA, MINNESOTA
REFUNDING REVENUE BONDS
(GRANDVIEW CHRISTIAN HOME PROJECT)
SERIES 2016

Dated: Date of Delivery

Due: As shown on the inside front cover

The above-referenced obligations (the "Series 2016 Bonds") are limited obligations of the City of Milaca, Minnesota (the "City") and do not constitute general obligations or a debt, liability, or pledge of the full faith and credit of the City, the State of Minnesota or of any political subdivision or agency thereof. The Series 2016 Bonds are not secured by or payable from any taxes, revenues or assets of the City except for the City's interest in the Loan Agreement and amounts held pursuant to the Indenture. Capitalized terms used on this cover are defined in the text hereof or in Appendix D.

Pursuant to the Loan Agreement, all proceeds of the Series 2016 Bonds will be loaned by the City to Grandview Christian Home, a Minnesota nonprofit corporation (the "Borrower"), to refinance (by the refunding of the Prior Bonds described herein) the Borrower's 111-unit senior housing facility that currently contains 61 assisted living units (including 19 memory care units) and 50 independent living units (the "Existing Project"), to fund the Reserve Fund and to pay certain Costs of Issuance. The Existing Project was originally financed in 1998 by certain revenue bonds issued by the City of Cambridge, Minnesota, and was refinanced in 2013 by the Prior Bonds.

The Series 2016 Bonds will be payable solely from the moneys held for the payment thereof by U.S. Bank National Association in St. Paul, Minnesota, as Trustee, or its successors, under the Indenture, including amounts held in the Reserve Fund and Loan Repayments required to be made under the Loan Agreement by the Borrower. The Series 2016 Bonds (as well as the planned Parity Bonds described herein) will be secured by a mortgage lien on, a security interest in, and an assignment of rents and revenues from, the Existing Project and the New Money Project described herein.

The Series 2016 Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof for each maturity. Interest on the Series 2016 Bonds is payable each April 1 and October 1, commencing April 1, 2017. The Series 2016 Bonds may be purchased by investors only in Book-Entry Form (unless the City directs otherwise). Therefore, all Series 2016 Bonds of a single maturity will be evidenced by one bond certificate registered to Cede & Co., the nominee name for The Depository Trust Company ("DTC"). While the Series 2016 Bonds are in Book-Entry Form, purchasers of the Series 2016 Bonds will not constitute the record owners thereof, and all ownership of the Series 2016 Bonds will be solely beneficial ownership effected through the Book-Entry System maintained by DTC and Participants. While the Series 2016 Bonds are registered in the name of Cede & Co., principal of, and interest on, the Series 2016 Bonds will be payable by the Trustee to DTC, which will be responsible for making payments to DTC Participants for subsequent remittance to the owners of beneficial interests in the Series 2016 Bonds. Purchasers of the Series 2016 Bonds will not receive certificates representing their beneficial ownership interest. See "BOOK-ENTRY-ONLY SYSTEM."

The Series 2016 Bonds are subject to redemption and prepayment as described herein under "THE SERIES 2016 BONDS--Redemption or Prepayment."

An investment in the Series 2016 Bonds is subject to certain risks. See "BONDHOLDERS' RISKS" herein.

The Series 2016 Bonds are offered, subject to prior sale, when, as and if accepted by the Underwriter named below and subject to an opinion as to validity and tax exemption by Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, the approval of certain matters by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota, as counsel to and for the benefit of the Underwriter, the approval of certain matters by the General Counsel to the Borrower and Guarantor, and certain other conditions. It is expected that delivery of the Series 2016 Bonds will be made on or about August 31, 2016, against payment therefor. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends, but is not obligated, to effect secondary market trading in the Series 2016 Bonds. For information with respect to the Underwriter, see "UNDERWRITING" herein.

* Preliminary; subject to change

NORTHLAND SECURITIES, INC.

The date of this Official Statement is August __, 2016

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

\$9,200,000 Serialized Term Series 2016 Bonds Subject to Semiannual Sinking Fund Redemption

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> [®]
2017	\$435,000			
2018	445,000			
2019	455,000			
2020	460,000			
2021	470,000			
2022	485,000			
2023	495,000			
2024	515,000			
2025	530,000			
2026	545,000			
2027	560,000			
2028	575,000			
2029	605,000			
2030	620,000			
2031	645,000			
2032	665,000			
2033	695,000			

* Preliminary; subject to change

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such statements may be found, among other places, in the Financial Feasibility Study attached to this Official Statement as Appendix C, and in references to the Financial Feasibility Study throughout the Official Statement.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Borrower does not plan to issue any updates or revisions to those forward-looking statements if or when expectations, events, conditions or circumstances change.

[®] Registered Trademark 2015, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Services Bureau, a division of the McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Bonds. The Issuer is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES UNDER THE SECURITIES OR BLUE SKY LAWS OF THE STATES IN WHICH THEY HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THESE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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No person has been authorized by the City, the Underwriter or the Borrower to give any information regarding the Series 2016 Bonds, the Borrower, the Project, the offering contained herein and related matters or to make any representations other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which it is unlawful for any person to make such offer or solicitation. The information set forth herein has been provided by or on behalf of the Borrower. Neither the City nor the Underwriter makes any guarantee as to accuracy or completeness of such information, and its inclusion herein is not to be construed as a representation by the Underwriter or the City. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement at any time nor any sale made hereunder creates any implication that the information herein is correct as of any time subsequent to its date.

SUMMARY INFORMATION

The following is a summary of certain information contained in this Official Statement. The summary is not comprehensive or complete and is qualified in its entirety by reference to the complete Official Statement. Undefined capitalized terms used below are defined in Appendix D hereto or elsewhere in this Official Statement.

The Series 2016 Bonds	\$9,200,000* Refunding Revenue Bonds (Grandview Christian Home Project) Series 2016 to be issued by the City of Milaca, Minnesota in denominations of \$5,000 or whole multiples thereof for each maturity. See "THE SERIES 2016 BONDS - Interest; Maturity; Payment" and "THE CITY."
Payment	Interest accrues on the Series 2016 Bonds at the rates set forth on the inside front cover page hereof and is payable on April 1 and October 1 of each year (commencing April 1, 2017). While the Series 2016 Bonds are held by DTC, payment of principal of, and interest on, the Series 2016 Bonds will be made by the Trustee to DTC, which will be responsible for making payments to DTC Participants for subsequent remittance to the owners of beneficial interests in the Series 2016 Bonds. See "THE SERIES 2016 BONDS -- Interest; Maturity; Payment." See also "BOOK-ENTRY-ONLY SYSTEM."
Redemption or Prepayment	As more fully described herein, the Series 2016 Bonds are subject to redemption or prepayment prior to maturity, together with payment of accrued interest, as follows: (a) optional redemption upon request of the Borrower in whole or in part on any day on or after October 1, 2021, at a redemption price specified herein plus accrued interest to the redemption date; (b) mandatory redemption at par plus a 3% premium upon a Determination of Taxability; (c) extraordinary redemption at par due to the occurrence of certain events of casualty or condemnation; (d) for Series 2016 Term Bonds, mandatory redemption at par due to sinking fund redemption; and (e) acceleration due to an Event of Default occurring under the Indenture, the Loan Agreement or the Mortgage. See "THE SERIES 2016 BONDS -- Redemption or Prepayment."
Use of Proceeds	Pursuant to the Loan Agreement, proceeds from the sale of the Series 2016 Bonds will be loaned to the Borrower to refinance the Borrower's 111-unit senior housing facility that contains 61 assisted living units (including 19 memory care units) and 50 independent living units (the "Existing Project"), located in Milaca, Minnesota, that was originally financed in 1998 and refinanced in 2013 by the Prior Bonds described herein. In addition, proceeds from the sale of the Series 2016 Bonds or other available funds will fund the Bond Reserve Fund and pay certain Bond Issuance Costs. See: "THE PROJECT" and "SOURCES AND USES OF FUNDS."
The Borrower	The Borrower is Grandview Christian Home, a Minnesota nonprofit corporation that is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code. See Appendix A: "THE BORROWER, THE FACILITIES AND THE GUARANTOR."
Security for the Series 2016 Bonds	The Series 2016 Bonds are secured by a pledge of the Loan Repayments payable by the Borrower that are sufficient, if timely paid in full, to pay when due all scheduled payments of principal of and interest on the Series 2016 Bonds. The Series 2016 Bonds will be secured on a parity basis with the Parity Bonds described herein by a mortgage lien on and security interest in the Borrower's Existing Project and New Money Project described herein (including an assignment of rents and revenues relating thereto). The Series 2016 Bonds will also be secured by the Guarantees as described herein, and by certain amounts held by the Trustee under the Indenture, including amounts in the Reserve Fund. The Series 2016 Bonds are limited obligations of the City and do not constitute general obligations or a debt, liability, or pledge of the full faith and credit of the City, the State of Minnesota or of any political subdivision or agency thereof. The Series 2016 Bonds are not secured by or payable from any taxes, revenues or assets of the City except for the City's interest in the Loan Agreement and amounts held pursuant to the Indenture as described herein. See "SECURITY FOR THE BONDS."
Trustee and Paying Agent	U.S. Bank National Association, in St. Paul, Minnesota.
Investment Risks	An investment in the Series 2016 Bonds involves risks, including, but not limited to, those discussed under "BONDHOLDERS' RISKS."

* Preliminary; subject to change

OFFICIAL STATEMENT

\$9,200,000*

CITY OF MILACA, MINNESOTA HOUSING AND HEALTH CARE FACILITIES REVENUE REFUNDING BONDS (GRANDVIEW CHRISTIAN HOME PROJECT) SERIES 2016

INTRODUCTORY STATEMENT

The following is a brief introduction as to certain matters discussed elsewhere in this Official Statement and is qualified in its entirety as to such matters by such discussion and the text of the actual documents described or referenced. Each capitalized term has the meaning assigned to it in Appendix D or in the Indenture, the Loan Agreement or other document with respect to which the term is used. Any definition of a term contained in the text hereof is for ease of reference only and is qualified in its entirety by any corresponding definition in Appendix D or the documents with respect to which such term relates. The Appendices hereto are an integral part of this Official Statement and each potential investor should review the Appendices in their entirety.

General

This Official Statement provides information regarding the above-referenced bonds (the "Series 2016 Bonds") to be issued by the City of Milaca, Minnesota (the "City") under Minnesota Statutes, Chapter 462C (the "Act") pursuant to an Indenture of Trust (the "Indenture") between the City and U.S. Bank National Association in St. Paul, Minnesota (the "Trustee"). See Appendix D: "THE INDENTURE."

Pursuant to a Loan Agreement (the "Loan Agreement") between the City and Grandview Christian Home, a Minnesota nonprofit corporation (the "Borrower"), proceeds from the sale of the Series 2016 Bonds will be loaned to the Borrower for the purpose of (i) refinancing (by the refunding of the Prior Bonds described below) the Borrower's 111-unit senior housing facility that contains 61 assisted living units (including 19 memory care units) and 50 independent living units (the "Existing Project"), (ii) funding the Reserve Fund and (iii) paying certain Costs of Issuance. See "SOURCES AND USES OF FUNDS" and Appendix A: "THE BORROWER, THE FACILITIES AND THE GUARANTOR." The Project was originally financed in 1998, and was refinanced in 2013 by the City of Cambridge, Minnesota Housing and Health Care Facilities Revenue Refunding Bonds (Grandview West, Inc. Project) Series 2013, currently outstanding in the aggregate principal amount of \$8,655,000 (the "Prior Bonds"). The Existing Project was formerly owned by Grandview West, Inc., a Minnesota nonprofit corporation that will be merged into the Borrower at the time of issuance of the Series 2016 Bonds.

Additional bonds ("Additional Bonds") may be issued on a parity basis with the Series 2016 Bonds as described herein. See "THE SERIES 2016 BONDS - Additional Bonds." The Series 2016 Bonds and any Additional Bonds are collectively referred to herein as the "Bonds."

The Borrower

The Borrower is a Minnesota nonprofit corporation and an organization recognized under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. See Appendix A: "THE BORROWER, THE FACILITIES AND THE GUARANTOR."

Loan Repayments; Mortgage

Pursuant to the Loan Agreement the Borrower will agree to make monthly payments ("Loan Repayments") which, if fully and promptly paid, shall be in amounts and at times sufficient to pay when due all scheduled principal of and interest on the Bonds. See Appendix D: "THE LOAN AGREEMENT." Pursuant to the Indenture, the City will pledge to the Trustee, for the benefit of the holders of the Bonds, all of its interest in the Loan Agreement (other than certain indemnification and expense reimbursement payments), to secure payment of the principal of, premium, if any, and interest on the Bonds.

Pursuant to a Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents (the "Mortgage"), from the Borrower to the Trustee, the Series 2016 Bonds and the Parity Bonds (described below) will be secured by a mortgage lien on and security interest in the Existing Project and the New Money Project (described below), including an assignment of rents and revenues therefrom. Property subject to the Mortgage can be released under certain conditions. See "SECURITY FOR THE BONDS – Mortgage," Appendix A: "THE BORROWER, THE FACILITIES AND THE GUARANTOR" and Appendix D: "THE MORTGAGE."

Reserve Fund

On the date of issuance of the Series 2016 Bonds, an amount equal to \$358,727* will be deposited in the Reserve Fund, and a similar deposit (approximately one-half of the maximum annual debt service on each series, excluding the year of final maturity) will be made to the Reserve Fund upon the issuance of any Additional Bonds. Amounts in the Reserve Fund may be used by the Trustee to pay principal of and interest on the Bonds if the other available sums held under the Indenture are insufficient for such purpose. See "SECURITY FOR THE BONDS -- Reserve Fund" and Appendix D: "THE INDENTURE –Reserve Fund."

Limited Guaranty

The Series 2016 Bonds and the Parity Bonds described below will be secured by the \$3,000,000 Limited Guaranty Agreement (the "Limited Guaranty"), to be entered into by the Borrower's sole member, Presbyterian Homes and Services (the "Guarantor"). For a summary of certain provisions of the Limited Guaranty, including a description of the conditions under which the Limited Guaranty will terminate, see "SECURITY FOR THE SERIES 2016 BONDS – Limited Guaranty."

Reserve Fund Replenishment Guaranty

The Series 2016 Bonds will be secured by the Reserve Fund Replenishment Guaranty Agreement (the "Reserve Fund Replenishment Guaranty") from the Guarantor to the Trustee. The Reserve Fund Replenishment Guaranty requires the Guarantor to replenish draws made on the Reserve Fund established under the Indenture, up to a maximum replenishment liability of \$358,727*.

Expected Future Parity Debt

The Borrower expects in the very near future to commence a significant replacement nursing home, independent living and town center project that is planned to contain 179 skilled nursing beds (including 21 transitional care beds), 50 independent living apartments and an approximately 25,640 square foot "Town Center" (the "New Money Project"). The New Money Project will entirely replace the Borrower's existing skilled nursing facility as well as a skilled nursing facility owned by an affiliate. The New Money Project will be built on the campus of, and will be connected to, the Existing Project.

To obtain financing for the New Money Project, the Borrower expects that the City of Bethel, Minnesota will issue one or more series of revenue bonds, in a principal amount of up to \$42,000,000 (the "Parity Bonds"), and loan the proceeds of the Parity Bonds to the Borrower, pursuant to a loan agreement (the "Parity Loan Agreement"), the terms of which are expected by the Borrower to be substantially similar to those of the Loan Agreement for the Series 2016 Bonds. The obligations of the Borrower under the Parity Loan Agreement will be secured by a mortgage (the "Parity Mortgage") and security interest in the Mortgaged Property on a parity with the Mortgage to be entered into in connection with the Series 2016 Bonds. Under the Loan Agreement for the Series 2016 Bonds, the Borrower will be permitted to undertake such a parity bond financing and enter into the Parity Loan Agreement and Parity Mortgage without notice to or the consent of the Trustee or any owners of the Series 2016 Bonds. For more information with respect to the Parity Bonds, see "BONDHOLDERS' RISKS – Issuance of Bonds Secured on a Parity with the Series 2016 Bonds by the Mortgaged Property."

* Preliminary; subject to change

Bondholders' Risks

Certain risks associated with an investment in the Series 2016 Bonds are discussed under "BONDHOLDERS' RISKS."

Miscellaneous

This Official Statement (including the Appendices hereto) contains descriptions of, among other matters, the Indenture, the Loan Agreement, the Mortgage, the Guarantees, the City, the Existing Project, the New Money Project, the Borrower, the Guarantor and the Series 2016 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references to documents described herein are qualified in their entirety by reference to such documents, copies of which are available from the Underwriter during the initial offering of the Series 2016 Bonds, and thereafter available for inspection at the principal corporate trust office of the Trustee.

BONDHOLDERS' RISKS

No person should purchase any Series 2016 Bonds without carefully reviewing the following information, which summarizes some, but not all, factors that should be carefully considered before such purchase.

Limited Obligations; Dependence on Borrower Loan Repayments

The Series 2016 Bonds are limited obligations of the City. The City has no obligation to make payments with respect to the Series 2016 Bonds except as provided in the Indenture. Accordingly, the payment of principal of, premium, if any, and interest on the Series 2016 Bonds is intended to be made primarily from payments of the Borrower under the Loan Agreement. The Borrower is presently expected to have no significant assets other than the Existing Project and the New Money Project, and if such facilities do not generate sufficient revenues it is unlikely the Borrower will have other resources to make payments under the Loan Agreement necessary to timely pay in full all principal of and interest on the Series 2016 Bonds. The ability of the Borrower to make Loan Repayments will therefore depend on the ability of the Borrower to attract and maintain sufficient occupancy in its facilities and to charge and collect sufficient rents and other charges. Future revenues and expenditures of the Borrower will be subject to conditions which cannot be determined with assurance. Due to the nature of the Borrower's facilities as senior housing and health care facilities, such facilities may experience (i) increased tenant turnover and occupancy fluctuations due to tenant age and health, and (ii) in some cases, occupancy delay or decline because of prospective tenants' need, hesitancy or inability to dispose of owner-occupied residences.

Issuance of Bonds Secured on a Parity with the Series 2016 Bonds by the Mortgaged Property

The Borrower expects in the very near future to commence the New Money Project described above under the subheading "Expected Future Parity Debt."

If the Parity Bonds are issued as contemplated, the Parity Mortgage will be entered into on a parity with the Mortgage for the Series 2016 Bonds, all for the equal and ratable security of the Series 2016 Bonds and the Parity Bonds. Any default with respect to the Parity Bonds would also constitute a default with respect to the Series 2016 Bonds and any default with respect to the Series 2016 Bonds would constitute a default with respect to the Parity Bonds. Enforcement of remedies with respect to either the Series 2016 Bonds or the Parity Bonds would be made on behalf of all of the Series 2016 Bonds and the Parity Bonds and all remedies would be exercised equally and ratably on behalf of all such bondholders and any and all proceeds of any sale or other disposition of the Mortgaged Property would be applied to the equal, ratable and proportionate benefit of all owners collectively of the Series 2016 Bonds and the Parity Bonds.

No assurances can be given that the Parity Bonds will be issued as contemplated or that, if issued, the Borrower will be able to successfully complete the New Money Project as contemplated or provide for the successful repayment of the Parity Bonds as contemplated.

In connection with the New Money Project and the issuance of the Parity Bonds, the Borrower has engaged CliftonLarsonAllenLLP, Certified Public Accountants, Minneapolis, Minnesota, to examine a financial feasibility study (the "Financial Feasibility Study") with respect thereto and the ability of the Borrower to provide for payment of the Series 2016 Bonds and the Parity Bonds. The Financial Feasibility Study is attached as Appendix C to this Official Statement. The Financial Feasibility Study is based on assumptions made by management of the Borrower. It should be noted that the Financial Feasibility Study represents only an estimate of future events, and no assurances can be given that the Existing Project and New Money Project will in fact be occupied at monthly rentals, maintain occupancy levels and attain operating efficiencies as stated in the Financial Feasibility Study. Accordingly, actual future revenues, expenses and operations of the Borrower will vary from such Financial Feasibility Study, and such variance may be material and adverse. The Underwriter has not made independent inquiry as to the assumptions on which the forecasted financial statements are based.

In addition, the Financial Feasibility Study is only for the five-year period ending September 30, 2020 and, consequently, does not cover the entire period during which the Series 2016 Bonds or the Parity Bonds may be outstanding. Furthermore, the Financial Feasibility Study assumes that the Series 2016 Bonds have an average net interest cost of approximately ____% per annum and that the Parity Bonds have an average net interest cost of approximately ____% per annum. The actual average net interest cost with respect to the Series 2016 Bonds and the Parity Bonds will not be established until the final sale of such obligations by the Underwriter.

Government Regulation and Reimbursement

General. The New Money Project will include a licensed nursing facility. Nursing facilities are subject to extensive governmental regulation through state licensing requirements and complex laws and regulations imposed at the federal and state level for such facilities to remain licensed and certified to receive payments under the so-called Medicaid and Medicare programs. The Minnesota Department of Health renews nursing home licenses annually and makes periodic inspections to determine compliance with licensure and certification requirements. Continuing licensure to provide nursing care is essential to the operation of any licensed nursing facility. Further, the prospective revenues of the Borrower will be significantly dependent on payments under the Medicaid and Medicare programs such that a loss of certification for participation in such programs or an elimination of or a material reduction in the availability of Medicaid or Medicare payments would materially adversely affect the operations and financial condition of the Borrower.

Changes in Law. Licensing and certification requirements are subject to change, and there can be no assurance that the Borrower's licensed nursing facility will be able to maintain all necessary licenses or certifications or that the Borrower will not incur substantial costs in doing so. Both federal and state regulation relating to health care and the payment of health care costs have been subject to change in the past, and future change can be expected, the effect of which may materially adversely affect the operations and financial condition of the Borrower. In attempts to limit federal and state expenditures, there have been, and the Borrower expects that there will continue to be, proposals to limit Medicare and Medicaid payments, including those for care provided by nursing facilities.

Previous federal changes have included limitations on payments to nursing facilities under the Medicaid and Medicare programs and an increased emphasis on cost control. Further, various health care reform proposals have been made and continue to be made which could result in changes in general health care funding in the future. It is presently unclear which, if any, of such proposals might be actually enacted into law or what their potential effect might be on the Borrower. A number of proposals to regulate or alter the method of financing health care have been discussed or introduced in Congress. In addition, the methods of determining the amount and availability of payments under the Medicaid Program in Minnesota have been subject to a variety of significant changes in the past and future changes can be expected to occur.

Medicaid. The revenues of the Borrower historically have been and in the future are expected to be derived in significant part from payments made on behalf of qualifying residents under the Minnesota Medical Assistance Program ("Medicaid"). States currently fund a substantial portion of Medicaid payments and exercise considerable discretion in determining payments allowed to care providers. Federal regulations provide that states are not required to pay for long-term care services on a cost-related basis, but may do so according to payment rate systems established by the state and identified in a state Medicaid plan. Those payment systems may be implemented after

the state provides public notice of its methodologies and justifications and affords providers, beneficiaries and other interested parties a reasonable opportunity to comment on any proposed rates, methodologies and justifications. As a result, the payments allowed by states for qualifying residents may be based on factors other than the actual costs of the nursing services, creating a more competitive environment for nursing facilities. The political emphasis on budget cutting, further changes in Medicaid and Medicare funding, and changes in the payment patterns of the federal Government and the State of Minnesota may have an adverse effect upon the revenues of the Borrower.

Minnesota Medicaid Reimbursement System. In Minnesota, resident rates paid through the Medicaid program to nursing facilities are divided into separate and distinct components: Operating Rates, Property Rates and External Fixed Rates. For any particular resident, the sum of the Operating, Property, and External Fixed Rates is the Total Rate paid to the nursing facility per resident day. Minnesota requires nursing facilities participating in the Medicaid program to charge private-pay residents the same rate as Medicaid pays for similar services. Higher rates, however, are allowed to be charged to private-pay residents in single-bed rooms.

Medicaid Operating Rates. Under Minnesota's plan, Operating Rates take into account a resident's level of need, based on a system of categorization called a RUG (Resource Utilization Group). A higher RUG rating means more care is needed and a higher rate is paid for a resident's care. After years of modest Medicaid operating rate increases that failed to keep up with the costs of providing care in Minnesota care centers, legislation was adopted in 2015 that sought to make meaningful change to the payment system. In addition to recognizing the actual costs to deliver services, the new system takes into account quality scores achieved by care centers and is intended to make the payment system more predictable in the future. The new payment system went into effect on January 1, 2016. For more information with respect to the Medicaid rates available to the Borrower, see Appendix A under the subheading "Tenants and Rents – New IL and CC."

Medicaid Property Rates. Another component of Minnesota's resident rates consists of the Property Rate. In Minnesota, Property Rates have been held to the same levels since 2010 with the exception of increases allowed for certain construction projects. Construction projects can be threshold projects, which means the allowable costs cannot exceed a threshold limit (approximately \$1.52 million). Larger projects are allowed if they are approved pursuant to a competitive moratorium exception proposal process. Under this process, the project must be approved through a competitive process prior to construction beginning. The Department of Human Services is expected to provide a plan for a new property payment system to the Minnesota Legislature during 2017.

Medicaid External Fixed Rates. A third component of Medicaid resident rates is called the External Fixed Rate. The cost items in this rate include a bed surcharge, real estate taxes, special assessments, MDH licensing fees, Public Employee Retirement Account costs, and employee scholarship program expenses. The External Fixed Rate is updated each year to reflect current costs and resident days as allowed from the most recent Medicaid cost report.

Medicare. The successful operation of skilled nursing facilities in the current competitive marketplace has become increasingly dependent on revenues derived from Medicare. Average lengths of stay in many facilities are becoming shorter as facilities are being used more significantly by residents who are recovering from hospitalizations and whose rates are typically covered by Medicare reimbursement. These payment rates are frequently higher than comparable rates paid by the Medicaid program, but they include payment for therapy and other ancillary services, which are separately billed for Medicaid recipients. At the same time, the ongoing trend in Medicare payment rates is expected to continue to be focused on the creation of savings to the federal government through an emphasis on cost cutting and the imposition of greater responsibility on providers to control costs and take on the risk of providing quality care to residents under stricter budget constraints. Future limitations on Medicare payment rates and other restrictions can be expected to have an adverse impact on skilled nursing facilities and such impact may be material.

Medicare rates are established under a method called the Prospective Payment System ("PPS"). The PPS rates include costs of furnishing skilled nursing services, including routine, ancillary, and capital-related costs. Routine costs are regular costs for which a separate charge is not made; ancillary costs are for specialized services attributable to individual patients such as therapy services; and capital costs include costs of land, buildings, and equipment. There are services outside the PPS rate that are separately allowed when furnished to a skilled nursing facility resident by an outside supplier.

“Fraud and Abuse” Laws and Regulations

Anti-Kickback Laws. The Federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (the “Anti-Kickback Law”) make it a criminal felony offense (subject to certain exceptions) to knowingly or willfully offer, pay, solicit or receive, remuneration in order to induce business for which reimbursement may be provided under the Medicare or Medicaid programs. The arrangements prohibited under the Anti-Kickback Law can involve hospitals, physicians and other health care providers such as nursing facilities. Prohibited arrangements may include joint ventures between providers, space and equipment rentals, purchases of physician practices, physician recruiting programs and management and personal services contracts. In addition to criminal penalties, violations of the Anti-Kickback Law can lead to civil monetary penalties and exclusion from the Medicare and Medicaid programs for not less than five years. Exclusion of the Borrower’s skilled nursing facility from either of these programs would have a material adverse impact on the operations and financial condition of the Borrower.

Billing and Reimbursement Practices. Health care providers, including nursing facilities, also are subject to criminal, civil and exclusionary penalties for violating billing and reimbursement standards under state and federal law. In recent years, state and federal enforcement authorities have investigated and prosecuted providers for submitting false claims to Medicare or Medicaid for services not rendered or for misrepresenting the level or necessity of services actually rendered in order to obtain a higher level of reimbursement.

Managed Care

Nursing facilities throughout the United States are facing a health care environment that is becoming increasingly dominated by the development of risk-based managed care plans. The necessity for nursing facilities to contract with managed care plans is increasing not only for privately insured residents but also for certain Medicaid and Medicare beneficiaries. States are experimenting with innovative delivery and payment systems to provide care to such beneficiaries, and in Minnesota there are certain plans that provide for contractual risk sharing in the delivery of services to individuals who are eligible for both Medicaid and Medicare. The current trend in health care reimbursement is for the federal government to enable the states to use managed care as a way to reduce costs without the need for federal interference and approval. There can be no assurances that over time the Borrower will be able to enter into satisfactory contracts with such managed care plans or that the revenues generated by any such managed care plans with which it may choose to contract will be sufficient to meet the actual operating costs of the Borrower’s skilled nursing facility.

Other Regulatory Matters

Various health and safety regulations and statutes apply to nursing and senior housing facilities and are administered and enforced by various state agencies. Violations of certain health and safety standards could result in closure of all or a portion of such facilities or imposition of immediate sanctions. The Borrower believes that its facilities are and will be in compliance with all existing material regulations and standards. Such standards are, however, subject to change and there can be no guarantee that in the future such facilities will meet these changed standards or that the Borrower will not be required to expend significant sums in order to comply with such changed standards.

Labor Matters

In recent years, the nursing home industry has suffered from an increasing scarcity of nursing personnel to staff its facilities. As the competition for skilled nursing personnel, such as nurses’ aides and licensed practical nurses, increases, more skilled nursing personnel can be expected to work in environments other than nursing homes. Scarcity of nursing personnel could eventually force the Borrower to pay increased salaries to such personnel as competition for such employees intensifies, and, in an extreme situation, could lead to difficulty in keeping the Borrower’s skilled nursing facility licensed to provide service at current levels. Typically when nursing facilities face shortages of nursing personnel, temporary staffing needs are met through labor pools, where labor costs generally run higher than corresponding costs for permanent nursing employees.

Value of Mortgaged Property

Security for the Series 2016 Bonds (and the planned Parity Bonds) includes parity mortgage liens on the Borrower's facilities, including an assignment of rents and revenues therefrom. Attempts to foreclose under the Mortgage may be met with protracted litigation and/or bankruptcy proceedings, which proceedings cause delays. See "ENFORCEABILITY OF OBLIGATIONS." Thus, there can be no assurance that upon the occurrence of an Event of Default, the Trustee will be able to obtain possession of the Existing Project and New Money Project and generate revenue therefrom in a timely fashion. There can be no assurance that proceeds derived from the sale of the mortgaged property upon any default and foreclosure would be sufficient to pay the Series 2016 Bonds and accrued interest.

There has been no market value appraisal of the Existing Project or New Money Project in connection with the issuance of the Series 2016 Bonds.

Corporate Affiliations

The assets and revenues of the Borrower are derived exclusively from the Borrower's facilities. The Borrower has many corporate affiliates, but none of them has any responsibility for payment of the Bonds, other than the obligations of the Guarantor under the specific terms of the Guarantees.

EXCEPT FOR THE GUARANTOR UNDER THE GUARANTEES, NO AFFILIATES OF THE BORROWER ARE OBLIGORS ON THE BONDS. THE PROPERTIES OF SUCH OTHER AFFILIATES ARE SUBJECT TO SEPARATE AND UNRELATED FINANCING ARRANGEMENTS. PROPERTY OR FUNDS TRANSFERRED TO AFFILIATES WILL NOT BE AVAILABLE FOR PAYMENT OF AMOUNTS OWING WITH RESPECT TO THE BONDS. For information with respect to affiliates of the Borrower, see Appendix A.

Maintenance of Tax-Exempt Status

The exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes depends on, among other things, the continued status of the Borrower as a nonprofit charitable organization described in Section 501(c)(3) of the Code (a "501(c)(3) organization"). The Borrower has received recognition from the Internal Revenue Service (the "IRS") of its status as a 501(c)(3) organization. However, such status might be revoked, and perhaps retroactively, for material noncompliance with factual representations made in the application for such recognition.

Moreover, the ongoing tax-exempt status of interest on the Series 2016 Bonds is conditioned, under relevant provisions of the Code, on compliance by the Borrower with various requirements set forth, inter alia, in Section 145 of the Code, requiring, among other things, that the Existing Project be owned throughout the term of the Series 2016 Bonds by a governmental unit or an organization described in Section 501(c)(3) of the Code and that not more than five percent (5%) of the proceeds of the Series 2016 Bonds (inclusive of proceeds applied to defray issuance costs) be applied to any "private business use," any use giving rise to "unrelated business income," or other uses inconsistent with the charitable purposes of the Borrower as a 501(c)(3) organization, all as further provided in applicable statutes, regulations, rulings and decisions. Additional provisions of Section 145 and related Sections (including Sections 147 and 148) of the Code also require, inter alia, that the weighted average maturity of the Series 2016 Bonds not exceed 120% of the remaining useful economic life of the Existing Project, and that certain "arbitrage profits" generated from the investment of proceeds of the Series 2016 Bonds or other moneys must be periodically rebated to the United States Treasury. Failure to comply with any of such tax requirements could result in the loss of the tax-exempt status of interest on the Series 2016 Bonds to the owners thereof, and such interest could become taxable to such owners retroactive to the date of issuance of the Series 2016 Bonds. For a description of the consequences of a Determination of Taxability, see "THE SERIES 2016 BONDS – Redemption or Prepayment – Mandatory Redemption of Series 2016 Bonds Upon Determination of Taxability."

Internal Revenue Service Tax-Exempt Bond Program

The Internal Revenue Service has established a Tax-Exempt and Government Entities Division (the "TE/GE Division"). The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond

compliance. The Internal Revenue Service has an active program of conducting examinations of tax-exempt bonds, such as the Series 2016 Bonds. In recent years, the number of Internal Revenue Service tax-exempt bond examinations has increased, and public statements made by individual Internal Revenue Service officials indicate that the number of Internal Revenue Service examinations of tax-exempt bonds may increase in the future. Internal Revenue Service officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. No assurance can be given that the Internal Revenue Service will not examine the Series 2016 Bonds. Any IRS examination could have an adverse impact on the marketability and price of the Series 2016 Bonds.

Damage or Destruction

Although the Borrower will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the Project will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Project cannot generate revenues, will not exceed the coverage of such insurance policies.

Competition

The Borrower faces competition for the Existing Project and will face competition for the New Money Project from other existing facilities, and may face additional competition in the future if and when there occurs the construction of new facilities or the renovation of existing facilities. Certain facilities in the market area of the Existing Project presently have rental rates that are less than those charged by the Borrower and similarly some units are more expensive. No assurance can be given that occupancy or rates at the Existing Project will not be adversely affected by such competition. See Appendix C for a description of existing facilities that compete with the Existing Project and New Money Project.

Environmental Matters

There are numerous environmental risks that can arise in connection with real estate investments, including, without limitation: (1) areas of on-site and off-site environmental contamination; (2) past, present, or future violations of environmental laws; (3) adequacy of waste handling procedures; and (4) potential environmental restrictions on future uses of property.

The Existing Project and planned New Money Project, like other types of commercial real estate, may be subject to such environmental risks, which can result in substantial costs to the Borrower from any mandatory clean-up, damages, fines or penalties that might be ordered with respect thereto. Any environmental problems discovered with respect to such facilities or the site thereof could have an adverse effect on the collateral value thereof.

The Borrower has obtained a Phase I environmental assessment from American Engineering Testing, Inc., dated _____, 2016, with respect to the site of the Existing Project and New Money Project. The Phase I environmental assessment did not reveal any recognized environmental conditions related to the site.

Normal Risks Attending Any Investment Secured by Real Estate

There are many diverse risks attending any investment in real estate not within the Borrower's control, which may have a substantial bearing on the profitability and financial feasibility of the Borrower's facilities. Such risks include, but are not limited to, possible adverse use of adjoining land, fire or other casualty, condemnation, imposition of increased taxes, changes in market demand, decline in the neighborhood and local or general economic conditions and changing governmental regulations.

Insurance

Although the Borrower will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the Existing Project and New Money Project will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Borrower's facilities cannot generate revenues, will not exceed the coverage of such insurance policies. The

Borrower is insured against patient abuse and neglect claims. In recent years, the number of lawsuits and the dollar amount of patient abuse and neglect recoveries have been increasing dramatically nationwide, resulting in increased insurance premiums.

Risk of Early Call

There are a number of circumstances under which all or a portion of the Series 2016 Bonds may be redeemed prior to their stated maturity. See “THE SERIES 2016 BONDS – Redemption or Prepayment.”

Effect of Federal Bankruptcy Laws on Security for the Bonds

Bankruptcy proceedings and equity principles may delay or otherwise adversely affect the enforcement of Bondholders’ rights in the property granted as security for the Bonds. Furthermore, if the security for the Bonds is inadequate for payment in full of the Bonds, bankruptcy proceedings and equity principles may also limit any attempt by the Trustee to seek payment from other property of the Borrower, if any. See “ENFORCEABILITY OF OBLIGATIONS.” Also federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the holders of a majority in aggregate principal amount of the Bonds if the Bondholders are provided with the benefit of their original lien or the “indubitable equivalent.” In addition, if the bankruptcy court concludes that the Bondholders have “adequate protection,” it may (i) substitute other security subject to the lien of the Bondholders and (ii) subordinate the lien of the Bondholders (a) to claims by persons supplying goods and services to the Borrower after bankruptcy and (b) to the administrative expenses of the bankruptcy proceeding. The bankruptcy court may also have the power to invalidate certain provisions of the Loan Agreement and Mortgage that make bankruptcy and related proceedings by the Borrower an event of default thereunder.

Absence of Rating

The Series 2016 Bonds have not been rated by any rating agency. The Series 2016 Bonds are believed to bear higher rates of interest than would prevail if the Series 2016 Bonds were rated investment grade in order to compensate investors for a level of risk that is higher than the risk generally associated with investment grade bonds. In addition, unrated bonds may be less liquid in the secondary market than rated bonds.

Secondary Market

The Underwriter expects to effect secondary market trading in the Series 2016 Bonds. However, the Underwriter is not obligated to repurchase any Series 2016 Bonds at the request of the holders thereof and cannot assure that there will be a continuing secondary market in the Series 2016 Bonds. In addition, adverse developments, including insufficient cash flow from the Borrower’s facilities, may have an unfavorable effect upon prices for the Series 2016 Bonds in the secondary market.

THE SERIES 2016 BONDS

Interest; Maturity; Payment

The Series 2016 Bonds will be issued in the aggregate principal amounts and will bear interest as set forth on the inside front cover hereof payable semiannually on April 1 and October 1 (each an “Interest Payment Date”) of each year, commencing on April 1, 2017. Interest will be calculated on the basis of a 360 day year with twelve months of thirty days.

The Series 2016 Bonds will be dated as set forth on the cover hereof and (subject to Series 2016 Bonds offered hereby being delivered to DTC and the provisions applicable under the Book-Entry-Only System described below) issued in the form of fully registered bonds without coupons in denominations of \$5,000 or integral multiples thereof for each maturity. For so long as the Series 2016 Bonds are in Book-Entry Form, and thus Cede & Co. is the exclusive registered owner of the Series 2016 Bonds, principal and interest on the Series 2016 Bonds are payable in the manner described herein under “BOOK-ENTRY-ONLY SYSTEM.” In the event the Book-Entry-Only System is discontinued, Series 2016 Bonds will be payable as to principal and premium, if any, at the principal corporate trust office of the Trustee designated on the cover page hereof upon presentation and surrender thereof. Interest will be payable by check or draft of the Trustee mailed to the persons who were registered owners thereof as of the

fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Trustee.

Exchange; Transfer

The Series 2016 Bonds are transferable and exchangeable for other denominations only upon the books of the Trustee as bond registrar and upon presentation and surrender of such Series 2016 Bonds, together with an executed assignment or other acceptable transfer instrument, subject to the payment of any tax, fee or other governmental charge that may be imposed in connection therewith. The City is not required to transfer, register, replace or exchange any Series 2016 Bond (i) during the 15-day period next preceding the date of the first publication or the mailing of notice of redemption in the case of a proposed redemption of Series 2016 Bonds, or (ii) after a Series 2016 Bond has been called for redemption. So long as the Series 2016 Bonds are in Book-Entry Form, only beneficial interest in such Series 2016 Bonds will be transferred, and then only as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Replacement

If (i) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (ii) there is delivered to the Trustee such security or indemnity as may be required by it to save the City, the Trustee and the Borrower harmless, then in the absence of notice to the Trustee that such Bond has been acquired by a bona fide purchaser, the City shall execute, and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of such mutilated, destroyed, lost or stolen Bond, a new Bond of the same series and of like tenor, principal amount, stated maturity and interest rate. In case any such mutilated, destroyed, lost or stolen Bond has matured, the City in its discretion may, instead of issuing a new Bond, pay such Bond. Upon such issuance of any new Bond, the Trustee may require the payment of a sum sufficient to cover any expenses (including the fees and expenses of the Trustee) connected therewith.

Redemption or Prepayment

Mandatory Sinking Fund Redemption. The Series 2016 Bonds will be subject to mandatory redemption prior to maturity in part and by lot in such manner as the Trustee may determine through the operation of mandatory sinking fund payments as provided in the Indenture, at the principal amount so to be redeemed plus accrued interest to the redemption date, in accordance with the following schedules:

<u>Series 2016 Bonds Due October 1, 2017*</u>		<u>Series 2016 Bonds Due October 1, 2018*</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
April 1, 2017		April 1, 2018	
October 1, 2017 (maturity)		October 1, 2018 (maturity)	
<u>Series 2016 Bonds Due October 1, 2019*</u>		<u>Series 2016 Bonds Due October 1, 2020*</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
April 1, 2019		April 1, 2020	
October 1, 2019 (maturity)		October 1, 2020 (maturity)	
<u>Series 2016 Bonds Due October 1, 2021*</u>		<u>Series 2016 Bonds Due October 1, 2022*</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
April 1, 2021		April 1, 2022	
October 1, 2021 (maturity)		October 1, 2022 (maturity)	
<u>Series 2016 Bonds Due October 1, 2023*</u>		<u>Series 2016 Bonds Due October 1, 2024*</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
April 1, 2023		April 1, 2024	
October 1, 2023 (maturity)		October 1, 2024 (maturity)	

* Preliminary; subject to change

<u>Series 2016 Bonds Due October 1, 2025*</u>	
<u>Date</u>	<u>Amount</u>
April 1, 2025	
October 1, 2025 (maturity)	

<u>Series 2016 Bonds Due October 1, 2026*</u>	
<u>Date</u>	<u>Amount</u>
April 1, 2026	
October 1, 2026 (maturity)	

<u>Series 2016 Bonds Due October 1, 2027*</u>	
<u>Date</u>	<u>Amount</u>
April 1, 2027	
October 1, 2027 (maturity)	

<u>Series 2016 Bonds Due October 1, 2028*</u>	
<u>Date</u>	<u>Amount</u>
April 1, 2028	
October 1, 2028 (maturity)	

<u>Series 2016 Bonds Due October 1, 2029*</u>	
<u>Date</u>	<u>Amount</u>
April 1, 2029	
October 1, 2029 (maturity)	

<u>Series 2016 Bonds Due October 1, 2030*</u>	
<u>Date</u>	<u>Amount</u>
April 1, 2030	
October 1, 2030 (maturity)	

<u>Series 2016 Bonds Due October 1, 2031*</u>	
<u>Date</u>	<u>Amount</u>
April 1, 2031	
October 1, 2031 (maturity)	

<u>Series 2016 Bonds Due October 1, 2032*</u>	
<u>Date</u>	<u>Amount</u>
April 1, 2032	
October 1, 2032 (maturity)	

<u>Series 2016 Bonds Due October 1, 2033*</u>	
<u>Date</u>	<u>Amount</u>
April 1, 2033	
October 1, 2033 (maturity)	

* Preliminary; subject to change

At the option of the Borrower exercised not less than 35 days prior to any sinking fund redemption date, the Borrower may (i) deliver to the Trustee for cancellation Term Bonds of the applicable series in any aggregate principal amount desired, or (ii) receive a credit in respect of such sinking fund obligation for any Term Bonds which prior to such date have been purchased or redeemed (otherwise than through the operation of the sinking fund) and not otherwise previously applied as a credit against sinking fund payments.

Optional Redemption. Series 2016 Bonds maturing after October 1, 2021, are subject to redemption prior to maturity upon request of the Borrower on any day on or after October 1, 2021, in such order of maturities as shall be selected by the Borrower and by lot within a maturity, at their principal amount, plus accrued interest, plus a premium (expressed as a percentage of the principal amount of Series 2016 Bonds being redeemed), as follows:

<u>Date</u>	<u>Premium</u>
October 1, 2021 to and including September 30, 2022	1%
October 1, 2022 and thereafter	0

Extraordinary Redemption Upon Certain Events of Casualty or Condemnation. All of the outstanding Bonds are subject to redemption as soon as practicable, in whole but not in part, at the option of the Borrower, at their principal amount plus accrued interest to the date of redemption, if the Existing Project is taken by condemnation, damaged or destroyed to such extent that in the reasonable judgment of the Borrower the Existing Project cannot be restored within twelve months to a condition permitting conduct of normal operations of the Borrower and at a cost not exceeding the net proceeds of the condemnation award or insurance and other funds of the Borrower available therefor.

Mandatory Redemption of Series 2016 Bonds Upon Determination of Taxability. All Series 2016 Bonds are subject to mandatory redemption in whole prior to maturity, at their principal amount plus accrued interest and a 3% premium, upon the occurrence of a Determination of Taxability.

Acceleration. Upon an Event of Default under the Indenture, all Bonds are subject to acceleration and prepayment on any date selected by the Trustee at their principal amount, plus accrued interest, without premium.

Notice of Redemption; Payment

The Trustee is required to cause notice of the call for any redemption to be mailed to the then owner of each Bond to be redeemed, by first class mail, not less than 30 days prior to the redemption date. Interest on any Bonds or portions thereof called for redemption ceases to accrue on the date established for redemption pursuant to such notice if notice of redemption has been given and money sufficient for payment is on deposit with the Trustee on such redemption date.

Ownership

The person in whose name a Series 2016 Bond is registered may be treated for all purposes as the owner thereof.

Additional Bonds

Additional Bonds may be issued which will be secured on an equal and parity basis with the Series 2016 Bonds to pay the cost of improvements to the Existing Project or to refund Outstanding Bonds. See APPENDIX D: "THE INDENTURE -- Issuance of Additional Bonds."

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), with one Series 2016 Bond certificate issued for all Series 2016 Bonds of each stated maturity.

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each such Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2016 Bonds, except in the event that use of the Book-Entry System for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds on deposit; DTC's records reflect only the identity of the Direct Participants to whose account such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2016 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2016 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2016 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the City or the Borrower, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of DTC, and the disbursement of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016 Bonds are required to be printed and delivered.

The City at the direction of the Borrower may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2016 Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry System has been obtained from DTC. The City, the Trustee, the Underwriter and the Borrower take no responsibility for the accuracy thereof.

SECURITY FOR THE BONDS

Limited Obligations

THE BONDS WILL BE LIMITED OBLIGATIONS OF THE CITY AND WILL NOT CONSTITUTE A DEBT, LIABILITY, GENERAL OBLIGATION OR PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OF MINNESOTA OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO PAY THE BONDS FROM TAXES OR TO MAKE ANY APPROPRIATION THEREFOR. NO BONDHOLDER WILL HAVE THE RIGHT TO DEMAND PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OUT OF ANY FUNDS OR FROM ANY SOURCES OF REVENUE OTHER THAN THOSE EXPRESSLY PLEDGED TO THE PAYMENT OF THE BONDS PURSUANT TO THE INDENTURE.

Assignment of Loan Agreement; Loan Repayments

Under the Indenture, the City has pledged its interest in the Loan Agreement (including Loan Repayments by the Borrower, but excluding certain rights of the City to payment of fees, expenses and indemnification) to the Trustee to secure the Bonds. Monthly Loan Repayments under the Loan Agreement are required to be paid which will be sufficient, if paid promptly and in full, to pay when due all principal of and interest on the Bonds. The Trustee is authorized to exercise the rights of the City and enforce the obligations of the Borrower under the Loan Agreement.

Reserve Fund

On the date of issuance of the Series 2016 Bonds, an amount equal to \$358,727* shall be deposited in the Reserve Fund. On the date of issuance of any Additional Bonds, a similar deposit (approximately one-half of the maximum annual debt service on each series, excluding the year of final maturity) will be made into the Reserve Fund. Amounts in the Reserve Fund may be used by the Trustee to pay principal of, premium, if any, and interest on the Bonds if amounts available in the Bond Fund are insufficient for such purpose. If amounts in the Reserve Fund are in excess of the Bond Reserve Requirement such excess amounts shall be transferred to the Bond Fund. In accordance with the Loan Agreement, the Borrower must restore amounts transferred out of the Reserve Fund by monthly paying cash equal to one-sixth of the deficiency. Amounts in the Reserve Fund may be invested in Qualified Investments.

Mortgage and Parity Mortgage

As security for the Bonds and the Parity Bonds, under the Mortgage and the Parity Mortgage, the Borrower grants to the Trustee a mortgage lien on and security interest in the Existing Project and the New Money Project, including an assignment of rents and revenues therefrom. The mortgage lien and security interest will encumber the real estate site and all improvements and all equipment and furnishings located from time to time at the facilities owned by the Borrower, subject to certain Permitted Encumbrances. See Appendix D: "THE MORTGAGE."

Limited Guaranty

The Series 2016 Bonds and the Parity Bonds will be secured by the \$3,000,000 Limited Guaranty Agreement (the "Limited Guaranty"), to be entered into by the Borrower's sole member, Presbyterian Homes and Services (the "Guarantor"). The Limited Guaranty will terminate upon the delivery to the Trustee of the following:

(i) a Certificate of the Authorized Borrower Representative to the effect that occupancy of the Existing Project and New Money Project has reached an average rate of not less than 90% calculated over the most recently ended fiscal year of the Borrower (the "Measurement Period"), with such occupancy having been determined solely by reference to occupants who have entered into lease or occupancy agreements with the Borrower in good faith and who remained current and not in default with respect to all obligations owing under such agreements over the Measurement Period; and

(ii) a Certificate of an Independent certified public accountant or firm of certified public accountants to the effect that, based upon the audited financial statements of the Borrower with respect to the fiscal year of the Borrower most recently completed, such fiscal year in no event to have been completed prior to September 30, 2019:

(a) the Borrower's Income Available for Debt Service (such Income Available for Debt Service in no event to include contributions, donations or transfers from affiliates), was at least equal to 130% of Total Principal and Interest Requirements; provided that, for purposes of this requirement, the Total Principal and Interest Requirements with respect to the Series 2016 Bonds and Parity Bonds in any fiscal year shall be equal to the maximum principal of and interest on the Series 2016 Bonds and Parity Bonds payable in any fiscal year; and

* Preliminary; subject to change

(b) As of the final day of such fiscal year, the Borrower shall have had not less than 60 Days Cash on Hand.

Reserve Fund Replenishment Guaranty

The Series 2016 Bonds will be secured by the Reserve Fund Replenishment Guaranty Agreement (the "Reserve Fund Replenishment Guaranty") from the Guarantor to the Trustee. The Reserve Fund Replenishment Guaranty requires the Guarantor to replenish draws made on the Reserve Fund established under the Indenture, up to a maximum replenishment liability of \$358,727*.

Rate Covenant

Pursuant to the Loan Agreement, the Borrower agrees to fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, fees and charges for the use of facilities of and for the services furnished or to be furnished by the Borrower, such that Net Revenues Available for Debt Service in each Fiscal Year will be at least one hundred ten percent (110%) of the Principal and Interest Requirements during such Fiscal Year. The foregoing is subject to the qualification that if requirements necessary for the Borrower to maintain its tax exempt status, or applicable state or federal laws or regulations, or the rules and regulations of agencies having jurisdiction, shall not permit the Borrower to produce such level of Net Revenues Available for Debt Service, then the Borrower shall, in conformity with the then prevailing laws, rules or regulations, maintain rates, fees and charges to equal the maximum permissible level.

If the Net Revenues Available for Debt Service of the Borrower for any Fiscal Year are less than the coverage requirements described in the paragraph above, the Borrower will promptly employ an Independent Management Consultant to: (i) review and analyze the financial reports required to be made by the Borrower, (ii) inspect the Borrower's facilities, their operation and administration, (iii) submit to the Borrower and Trustee written reports, and (iv) make such recommendations as to the operation and administration of the Borrower's facilities as such Management Consultant deems appropriate. The Borrower agrees to consider any recommendations by the Management Consultant and, to the fullest extent advisable in the reasonable discretion of the Borrower's Board of Directors, to adopt and carry out such recommendations.

So long as the Borrower is otherwise in full compliance with its obligations under the Loan Agreement, it shall not constitute an Event of Default that Net Revenues Available for Debt Service of the Borrower for any Fiscal Year are less than the coverage requirements described above.

Defeasance

Upon certain terms and conditions specified in the Indenture, the Bonds or portions thereof will be deemed to be paid and the security provided in the Indenture and the Mortgage may be discharged prior to maturity or redemption of the Bonds upon the provision for the payment of such Bonds. In that case, the Bonds will be secured solely by the cash and securities deposited with the Trustee for such purpose. See Appendix D: "THE INDENTURE."

* Preliminary; subject to change.

SOURCES AND USES OF FUNDS

Following are the expected sources and uses of funds as presently estimated with respect to the Series 2016 Bonds:

<u>Sources*</u>	
Par amount of Series 2016 Bonds	
Transfer from Prior Bonds Bond Reserve Fund	
Transfer from Prior Bonds Bond Fund	
Borrower Equity Contribution	
Total	<hr/> <hr/>

<u>Uses*</u>	
Refunding of Prior Bonds	
Reserve Fund	
Transaction Costs ⁽¹⁾	
Total	<hr/> <hr/>

(1) Includes real estate, legal, underwriting and other costs.

* Preliminary; subject to change

THE CITY

The City is a municipal corporation and political subdivision duly organized and existing under and by virtue of the laws of the State of Minnesota. The City is authorized by the Act to issue the Series 2016 Bonds, and loan the proceeds thereof pursuant to the Loan Agreement for the application described herein.

DEBT SERVICE SCHEDULE

The following table sets forth, for each year ended October 1, the scheduled amounts required each year to be paid with respect to the Series 2016 Bonds and the estimated amounts to be paid each year for the Parity Bonds, assuming no prepayment other than for mandatory sinking fund redemptions. Interest on the Series 2016 Bonds will be paid on each April 1 and October 1, commencing April 1, 2017. Principal of the Series 2016 Bonds will be paid on each April 1 and October 1, commencing April 1, 2017.

<u>Year Ended</u> <u>October 1</u>	<u>Series 2016</u> <u>Bond Principal*</u>	<u>Series 2016</u> <u>Bond Interest</u>	<u>Total Principal</u> <u>and Interest</u>	<u>Estimated Parity</u> <u>Bond Debt Service</u>	<u>Total Debt</u> <u>Service</u>
2017	\$435,000				
2018	445,000				
2019	455,000				
2020	460,000				
2021	470,000				
2022	485,000				
2023	495,000				
2024	515,000				
2025	530,000				
2026	545,000				
2027	560,000				
2032	575,000				
2029	605,000				
2030	620,000				
2031	645,000				
2032	665,000				
2033	695,000				
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
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2050					
2051					

* Preliminary; subject to change

ENFORCEABILITY OF OBLIGATIONS

On the date of issuance of the Series 2016 Bonds, Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, shall deliver its opinion, dated the delivery date, that the Series 2016 Bonds, the Loan Agreement and the Indenture are valid and legally binding on the City, enforceable in accordance with their respective terms. The General Counsel to the Borrower will deliver an opinion that the Loan Agreement, the Continuing Disclosure Agreement and the Mortgage are valid and legally binding agreements of the Borrower, and that the Limited Guaranty and Reserve Fund Replenishment Guaranty are valid and legally binding agreements of the Guarantor,

each enforceable in accordance with its respective terms. The foregoing opinions will be generally qualified to the extent that the enforceability of the respective instruments may be limited by laws, decisions and equitable principles affecting remedies and by bankruptcy or insolvency or other laws, decisions and equitable principles affecting creditors' rights generally.

While the Series 2016 Bonds are secured or payable pursuant to the Indenture, the Loan Agreement, the Mortgage, the Limited Guaranty and the Reserve Fund Replenishment Guaranty, the practical realization of payment from any security will depend upon the exercise of various remedies specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. Accordingly, the remedies specified in the above documents may not be readily available or may be limited.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the issuance and sale of the Series 2016 Bonds and with regard to the tax-exempt status of interest on the Series 2016 Bonds under existing laws are subject to the approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, as Bond Counsel. Certain legal matters will be passed on for the Borrower and Guarantor by their General Counsel.

The Underwriter has been represented in this transaction by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota.

FINANCIAL STATEMENTS

The Borrower is a subordinate affiliate of Presbyterian Homes and Services, and is not separately audited. The most recent audited consolidated financial statements of Presbyterian Homes and Services and its affiliates, attached as Appendix B to this Official Statement, have been audited by CliftonLarsonAllen LLP, Certified Public Accountants, as set forth in their report dated December 4, 2015. Except for the Guarantor, none of the affiliates of the Borrower are obligated with respect to the Series 2016 Bonds. The consolidating schedules included in the attached financial statements contain balance sheet and operating information specific to the Borrower and the previous owner of the Existing Project, Grandview West, Inc. Such balance sheet information is found on pages 52 and 59 of Appendix B, and such operating information is found on page 66 of Appendix B.

FINANCIAL FEASIBILITY STUDY

Attached as Appendix C to this Official Statement is a Financial Feasibility Study for the Borrower (the "Financial Feasibility Study") examined by CliftonLarsonAllen LLP, Certified Public Accountants ("CLA"). The Financial Feasibility Study is based upon assumptions made by management of the Borrower. Among other things, the Financial Feasibility Study assumes that, shortly after the issuance of the Series 2016 Bonds, the Parity Bonds will be issued to provide financing for the New Money Project. As stated in the Financial Feasibility Study, events and circumstances frequently do not occur as expected, and there will usually be differences between the results forecasted therein and the Borrower's actual results, and those differences may be material. In addition, the Financial Feasibility Study covers only the five years ending September 30, 2020, and consequently does not cover the entire period during which the Series 2016 Bonds may be outstanding. See the complete Financial Feasibility Study attached to this Official Statement as Appendix C, which should be read in its entirety.

BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE IN THE FINANCIAL FEASIBILITY STUDY, NO ASSURANCES CAN BE GIVEN THAT THE RESULTS SET FORTH THEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED BY THE BORROWER IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING BUT NOT LIMITED TO, INCREASED COSTS, FAILURE BY MANAGEMENT OF THE BORROWER TO EXECUTE ITS PLANS, LOWER THAN ANTICIPATED REVENUES, EMPLOYEE RELATIONS, TAXES, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN THE RETIREMENT LIVING AND HEALTH CARE INDUSTRIES AND GENERAL ECONOMIC CONDITIONS.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Tax Exemption

It is the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on current law, and on certifications to be furnished at closing, and assuming compliance by Issuer, the Borrower and the Trustee with certain covenants contained in the Loan Agreement and the Indenture (the "Tax Covenants"), that interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Interest on the Series 2016 Bonds is included in taxable income for purposes of Minnesota franchise taxes imposed on corporations and financial institutions. Interest on the Series 2016 Bonds is not an item of tax preference for federal or Minnesota alternative minimum tax purposes, but it is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax.

The Code establishes certain requirements that must be met after the issuance of the Series 2016 Bonds in order that interest on the Series 2016 Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Series 2016 Bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of Series 2016 Bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements may cause interest on the Series 2016 Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the Tax Covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Series 2016 Bonds from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. In the event of a Determination of Taxability that interest on the Series 2016 Bonds is included in federal gross income, the Series 2016 Bonds are subject to mandatory redemption at a redemption price equal to their principal amount, plus accrued interest and a 3% premium. See "THE SERIES 2016 BONDS – Redemption or Prepayment – Mandatory Redemption of Series 2016 Bonds Upon Determination of Taxability."

Original Issue Discount

The Series 2016 Bonds maturing [on/in] _____ (collectively, the "Discount Bonds") are being sold at a discount from the principal amount payable on such Series 2016 Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner's federal and Minnesota tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity). Original issue discount is taxable under the Minnesota franchise tax on corporations and financial institutions.

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bond (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bond, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Discount Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the

purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond. If such excess is greater than the amount of remaining original issue discount, the Code's basis reduction rules for amortizable bond premium might result in taxable gain upon sale, redemption or maturity of the Discount Bonds, even if the Discount Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

Except for the Minnesota rules described above, no opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount and with respect to the other federal, state and local tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Bonds.

Bond Premium

The Series 2016 Bonds maturing [on/in] _____ are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Series 2016 Bonds at a premium, even Series 2016 Bonds that were not initially offered at a premium, must, from time to time, reduce their federal and Minnesota tax bases for the Series 2016 Bonds for purposes of determining gain or loss on the sale or payment of such Series 2016 Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, bondholders who acquire Series 2016 Bonds at a premium might recognize taxable gain upon sale of the Series 2016 Bonds, even if such Series 2016 Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bondholders who acquire Series 2016 Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Series 2016 Bonds acquired at a premium.

Section 265 Financial Institution Disclosure

Pursuant to section 265(b)(3)(D)(ii) of the Code, the Series 2016 Bonds have been designated by the City as "qualified tax-exempt obligations." Under section 265(b)(3) of the Code, financial institutions may treat tax-exempt bonds that are designated or deemed designated as "qualified tax-exempt obligations" as having been acquired prior to August 7, 1986.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Series 2016 Bonds into account in determining the taxability of such benefits. Passive investment income, including interest on the Series 2016 Bonds, may be subject to taxation under section 1375 of the Code, and corresponding provisions of Minnesota law, for an S corporation that has accumulated earnings and profits at the close of the taxable year, if more than 25 percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2016 Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. Indebtedness may be allocated to the Series 2016 Bonds for this purpose even though not directly traceable to the purchase of the Series 2016 Bonds. Federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Series 2016 Bonds. Because of the Code's basis reduction rules for amortizable bond premium, Bondholders who acquire Series 2016 Bonds at a premium might recognize taxable gain upon sale of the Series 2016 Bonds, even if the Series 2016 Bonds are sold for an amount equal to or less than their original cost. In the case of a financial institution, subject to the exception for bonds that are designated or deemed to be "qualified tax-exempt obligations," within the meaning of section 265(b)(3) of the Code, no deduction is allowed under the Code for that portion of the holder's interest expense which is allocable to interest on the Series 2016 Bonds within the meaning of section 265(b) of the Code. The Series 2016 Bonds will be deemed to be "qualified tax-exempt obligations" for this purpose. In the case of an

insurance company subject to the tax imposed by section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Series 2016 Bonds that is received or accrued during the taxable year. Interest on the Series 2016 Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by section 884 of the Code, and is included in net investment income of foreign insurance companies under section 842(b) of the Code.

The market value and marketability of the Series 2016 Bonds may be adversely affected by future changes in federal or Minnesota tax treatment of interest on the Series 2016 Bonds or by future reductions in income tax rates.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE SERIES 2016 BONDS OR RECEIPT OF INTEREST ON THE SERIES 2016 BONDS. PROSPECTIVE PURCHASERS OR BONDHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO APPLICABLE FEDERAL, STATE AND LOCAL TAX RULES.

UNDERWRITING

The Series 2016 Bonds are being purchased from the City by Northland Securities, Inc. in Minneapolis, Minnesota (the "Underwriter"). The Underwriter has agreed to purchase the Series 2016 Bonds at a price of \$_____ (par less Underwriter's discount of \$_____, and less original issue discount of \$_____), subject to the terms of a Bond Purchase Agreement between the City, the Borrower and the Underwriter. The Bond Purchase Agreement provides that the Underwriter shall purchase all Series 2016 Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices set forth on the cover page hereof may be changed from time to time by the Underwriter. The Borrower has agreed under the Bond Purchase Agreement to indemnify the Underwriter and the City against certain liabilities, including certain liabilities under the federal and state securities laws.

CONTINUING DISCLOSURE

The following is a summary of certain provisions of the Continuing Disclosure Agreement. Reference is made to the Continuing Disclosure Agreement for a complete recital of its terms.

The City does not intend to provide any continuing disclosure to holders of the Series 2016 Bonds, and shall have no liability to the holders of the Series 2016 Bonds or any other persons with respect to any continuing disclosure requirements associated with the Series 2016 Bonds. The Borrower (as an "obligated person" with respect to the Series 2016 Bonds) and the Trustee will enter into a Continuing Disclosure Agreement to provide for the continuing disclosure of certain information relating to the Borrower and the Series 2016 Bonds, in accordance with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission. Under such agreement, there will be provided to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system certain annual financial information and operating data with respect to the Borrower and notices of certain events with respect to the Series 2016 Bonds as required by the Rule.

The annual financial information and operating data described above is expected to be available within 150 days after the end of each fiscal year of the Borrower, commencing with the fiscal year ended September 30, 2013. The information is to include the consolidated annual audited financial statements of Presbyterian Homes and Services and Affiliates prepared in accordance with accounting principles generally accepted in the United States of America, and an update of certain operating information regarding the Borrower contained in Appendix A to this Official Statement under the subheadings _____

Under the Continuing Disclosure Agreement the Borrower will also agree to provide or cause to be provided timely (within ten business days) notice to EMMA of the occurrence of any of the following events with respect to the Series 2016 Bonds:

- i. Delinquency in payment when due of any principal of or interest on the Series 2016 Bonds.
- ii. Occurrence of any nonpayment Event of Default under the Indenture or Loan Agreement as defined in each such instrument, if material.
- iii. Unscheduled draws on the Bond Reserve Fund reflecting financial difficulties.
- iv. Unscheduled draws on credit enhancements reflecting financial difficulties (the Series 2016 Bonds have no third party credit enhancement).
- v. Substitution of credit or liquidity providers, or their failure to perform (the Series 2016 Bonds have no third party liquidity provider or credit enhancement).
- vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2016 Bonds, or other material events affecting the tax status of the Series 2016 Bonds.
- vii. Modifications to the rights of Bondholders, if material.
- viii. Series 2016 Bond calls, if material, and tender offers.
- ix. Defeasance of the Series 2016 Bonds or any portion thereof.
- x. Release, substitution or sale of property securing repayment of the Series 2016 Bonds, if material.
- xi. Rating changes (the Series 2016 Bonds will not be rated).
- xii. Bankruptcy, insolvency, receivership or similar event of the Borrower.
- xiii. The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Trustee agrees to provide or cause to be provided to EMMA notice of a failure by the Borrower to provide the information described above.

In the event of a failure of the Borrower to provide the required information, the Trustee or any bondholder or beneficial owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrower to comply. A default under the Continuing Disclosure Agreement is not an Event of Default under the Indenture or Loan Agreement, and the sole remedy under the Continuing Disclosure Agreement is an action to compel performance.

[Describe compliance issues in last five years.]

MISCELLANEOUS

The foregoing does not purport to be comprehensive or definitive and all references to any document herein are qualified in their entirety by reference to each such document. All references to the Series 2016 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of these documents are available for inspection during the period of the offering at the offices of the Underwriter in Minneapolis, Minnesota, and thereafter at the principal corporate trust office of the Trustee. The Underwriter makes no representations or warranties as to the accuracy or completeness of the information in any of the Appendices.

The Borrower and the City have authorized the use and distribution of this Official Statement, although the City has not reviewed or approved any matters herein and assumes no responsibility for the accuracy or completeness of the information herein. The Borrower has approved the information contained herein.

APPENDIX A

THE BORROWER, THE FACILITIES

AND

THE GUARANTOR

This Appendix A constitutes an Appendix to and a part of the Official Statement for the City of Milaca, Minnesota Refunding Revenue Bonds (Grandview Christian Home Project), Series 2016 (the "Bonds") issued by the City of Milaca, Minnesota (the "City") for the purpose, among other things, of loaning the proceeds of the Bonds to the Borrower described below to refinance indebtedness incurred with respect to the Borrower's existing senior housing and assisted living facility described in this Appendix. Terms used but not defined in this Appendix are used with the meanings ascribed to such terms in the body of the Official Statement. References in this Appendix are to the body of the Official Statement or the Appendices thereto, as applicable.

APPENDIX B

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
PRESBYTERIAN HOMES AND SERVICES AND AFFILIATES**

Years Ended September 30, 2015 and 2014

APPENDIX C

FINANCIAL FEASIBILITY STUDY

APPENDIX D

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF DOCUMENTS

APPENDIX E
FORM OF BOND COUNSEL OPINION

GP:4473337 v1

BOND PURCHASE AGREEMENT

among

CITY OF MILACA, MINNESOTA (“Issuer”)

GRANDVIEW CHRISTIAN HOME (“Company”)

and

NORTHLAND SECURITIES, INC. (“Underwriter”)

§ _____
City of Milaca, Minnesota
Refunding Revenue Bonds
(Grandview Christian Home Project)
Series 2016

September ____, 2016

BOND PURCHASE AGREEMENT

City of Milaca, Minnesota Grandview Christian Home

Northland Securities, Inc. (the "Underwriter") hereby offers to purchase, upon the terms and conditions hereinafter specified, the obligations specified on the cover page hereof (the "Bonds") being issued by the City of Milaca, Minnesota (the "Issuer"), under and pursuant to a Trust Indenture, dated as of September 1, 2016 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). If and when accepted by each of you, this document shall constitute our Bond Purchase Agreement (the "Bond Purchase Agreement"). All terms not defined in this Bond Purchase Agreement shall have the meanings set forth in the Indenture.

It is our understanding that the Bonds are being issued by the Issuer under the authority of Minnesota Statutes, Chapter 462C, as amended (the "Act"), pursuant to the Indenture. The proceeds from the sale of the Bonds will be loaned to Grandview Christian Home, a Minnesota nonprofit corporation (the "Company"), pursuant to a Loan Agreement, dated as of September 1, 2016, between the Issuer and the Company (the "Loan Agreement"), and used to refinance the Project.

The Issuer and the Company hereby approve distribution of the Preliminary Official Statement with respect to the Bonds dated September __, 2016 (the "Preliminary Official Statement") and the final Official Statement with respect to the Bonds to be dated on or around September __, 2016 (the "Official Statement"), and consent to their use by the Underwriter in connection with offers and sales of the Bonds. The Bonds will be purchased and sold by the Underwriter at the prices and with the terms as described in Schedule A hereto and in the Official Statement.

1. Representations and Covenants of the Issuer.

The Issuer hereby represents and warrants to the Underwriter that:

- (a) The refinancing of the Project (through the refunding of the Refunded Bonds), the issuance and sale of the Bonds, the execution and delivery of the Loan Agreement, this Bond Purchase Agreement, the Tax Compliance Agreement and the Indenture and the performance of all covenants and agreements of the Issuer contained in the Loan Agreement, this Bond Purchase Agreement and the Indenture have been duly authorized by a resolution of the governing body of the Issuer adopted at a meeting thereof duly called and held on August 18, 2016, by the affirmative vote of not less than a majority of its members. A public hearing on the proposal to issue the Bonds was called and held on August 18, 2016, at which time all persons who appeared were given an opportunity to express their views with respect to the proposal to issue the Bonds.

- (b) To refinance the Project, the Issuer has duly authorized the Bonds to be issued upon the terms set forth in the Indenture, under the provisions of which the Issuer has agreed to pledge and grant to the Trustee a security interest in certain of its interests in the Loan Agreement as security for the payment of the principal of and interest and premium, if any, on the Bonds.
- (c) There is no action, suit, proceeding, inquiry, or investigation at law or in equity before or by any court, public board, or body pending to which the Issuer is a party or, to the knowledge of the Issuer, threatened against or affecting the Issuer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the validity or security of the Bonds, the Indenture, the Loan Agreement, this Bond Purchase Agreement, or the transactions contemplated thereby, or the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation.

2. Representations and Covenants of the Company.

The Company hereby represents and warrants to the Underwriter and the Issuer that:

- (a) The Company is a nonprofit corporation, duly organized and validly existing and in good standing under the laws of the State of Minnesota, and is duly authorized to transact business in Minnesota. The Company will be in compliance in all material respects with the laws of the State of Minnesota on the Closing Date (hereinafter defined) and has full power and authority to enter into the Loan Agreement; this Bond Purchase Agreement; the Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents, dated as of September 1, 2016, from the Company to the Trustee with respect to the Bonds (the "Mortgage"); the Escrow Agreement dated as of the Closing Date, among the Company, Grandview West, Inc. and U.S. Bank National Association as Escrow Agent (the "Escrow Agreement"); and the Continuing Disclosure Agreement, dated as of September 1, 2016, between the Company and U.S. Bank National Association in its capacity as dissemination agent (the "Disclosure Agreement").
- (b) The Company is conducting its business in all material respects in substantial compliance with all applicable and valid laws, rules and regulations of the State of Minnesota.
- (c) This Bond Purchase Agreement, the Loan Agreement, the Mortgage, the Escrow Agreement and the Disclosure Agreement, when executed and delivered, will have been duly and validly authorized, executed, and delivered, will be in full force and effect, and will be valid and binding obligations of the Company, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally.
- (d) The execution and delivery of this Bond Purchase Agreement, the Loan Agreement, the Mortgage, the Escrow Agreement and the Disclosure Agreement, the consummation of the transactions contemplated thereby, and the fulfillment of the terms and conditions thereof, do not and will not conflict with or result in a breach

of any of the terms or conditions of any restriction or any agreement or instrument to which the Company is now a party or by which it is bound or to which any property of the Company is subject, and do not and will not constitute a default under any of the foregoing, and do not and will not be in violation of any order, decree, statute, rule, or regulation of any court or any State or Federal regulatory body having jurisdiction over the Company or its properties, including the Project, and do not and will not result in the creation or imposition of any lien, charge, or encumbrance of any nature upon any of the property or assets of the Company contrary to the terms of any instrument or agreement to which the Company is a party or by which it is bound.

- (e) The use of the Project complies and will comply in all material respects with all presently applicable health, development, pollution control, water conservation, and other laws, regulations, rules, and ordinances of the Federal government and the State of Minnesota and the respective agencies thereof and the political subdivisions in which the Project is located. The Company has obtained and will obtain all necessary and material approvals of and licenses, permits, consents, and franchises from Federal, State, county, municipal, or other governmental authorities having jurisdiction over the Project to operate the Project and to enter into, execute, and perform its obligations under the Loan Agreement, this Bond Purchase Agreement, the Mortgage, the Escrow Agreement and the Disclosure Agreement.
- (f) The information supplied by the Company that has been relied upon by Bond Counsel and counsel for the Underwriter, with respect to the tax status of interest on the Bonds, is correct and complete.
- (g) The Company shall take all necessary action on its part to cause the Bonds to comply with the provisions of the laws and regulations of the State of Minnesota under which the Bonds are issued and to cause the Bonds to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder or under any succeeding Federal tax laws (collectively, the "Code"), and will not take any action, or permit any action within its control to be taken, which would violate such provisions or which would cause interest on the Bonds to become includable in gross income for purposes of Federal income taxation.
- (h) The money on deposit in any fund or account created or maintained under the Indenture in connection with the Bonds, whether or not such money was derived from other sources, will not be used by or under the direction of the Company in a manner which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code, and the Company specifically agrees that the investment of money in any such fund or account shall be restricted as may be necessary, and the earnings on such investment rebated to the United States to the extent necessary, to prevent the Bonds from being "arbitrage bonds".

- (i) In addition to the covenants undertaken in (g) and (h) above, the Company hereby makes, for the benefit of the Underwriter, all covenants undertaken with respect to the Bonds as set forth in Section 4.08 of the Loan Agreement.
- (j) There are no actions, suits, or proceedings pending or, to the knowledge of the Company, threatened against the Company or any property of the Company in any court or before any Federal, State, municipal, or other governmental agency, which, if decided adversely to the Company, would individually or in the aggregate, have a material adverse effect upon the Company or upon the business or properties of the Company, or on the validity or enforceability of the Bonds, the Indenture, the Loan Agreement, this Bond Purchase Agreement, the Mortgage, the Escrow Agreement, or the Disclosure Agreement or the documents to be delivered pursuant thereto.
- (k) The Company has duly approved and authorized the distribution and use of the Preliminary Official Statement and Official Statement. The Preliminary Official Statement was "deemed final" as of its date by the Company, and the Official Statement is "deemed final" as of its date by the Company, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule"). Except as described in the Preliminary Official Statement and the Official Statement, in the last five (5) years, the Company has never failed to comply, in any material respect, with any previous continuing disclosure undertaking entered into pursuant to the Rule.
- (l) The information contained in the Official Statement is true and correct in all material respects. The Official Statement does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.
- (m) Except as specifically disclosed in the Official Statement, the Company has not failed to pay when due the principal of or interest on any material obligation of the Company.
- (n) At the Closing Date, the Mortgage will constitute a valid and perfected first lien on the property described therein, subject only to Permitted Encumbrances as defined therein.
- (o) The Company shall promptly advise the Underwriter of the institution of any proceeding to which it is a party or of which it has knowledge which may adversely affect the offering, sale or distribution of the Bonds.
- (p) The Company will not take or omit to take any action that will in any way result in the proceeds from the sale of the Bonds being applied in a manner inconsistent with the provisions of the Loan Agreement, or as described in the Official Statement.
- (q) Any certificate signed by an officer of the Company authorized to so sign and delivered to the Issuer or the Underwriter with respect to the matters addressed in

this Bond Purchase Agreement shall be deemed a representation and warranty by the Company to such parties as to the statements made therein.

- (r) The Company agrees to furnish to the Underwriter, so long as any Bonds are outstanding, the financial statements and other reports of the Company as provided in Sections 6.02 and 6.03 of the Loan Agreement.

3. Covenants of the Company and the Issuer.

The Company and the Issuer covenant with the Underwriter as follows:

- (a) The Issuer and the Company shall cooperate with the Underwriter in qualifying the Bonds for offer and sale under the securities laws of such jurisdictions of the United States as the Underwriter may request. Any cost incurred by the Issuer in so cooperating shall be paid by the Company. Neither the Issuer nor the Company shall be required to consent to suit or to service of process in any jurisdiction.
- (b) Within 90 days after the Closing Date, if any event occurs as a result of which the Official Statement as then amended or supplemented, might include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Company shall promptly notify the Underwriter thereof in writing. Upon the request of the Underwriter, the Company will prepare and deliver to the Underwriter at the Company's expense as many copies of an amendment or supplement to the Official Statement reasonably requested by the Underwriter that will correct the untrue statement or omission.
- (c) The Issuer and Company acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction among the Issuer and Company and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Issuer or Company, (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the Issuer or Company with respect to (x) the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the Issuer or Company on other matters) or (y) any other obligation to the Issuer or Company except the obligations expressly set forth in this Bond Purchase Agreement and (iv) the Issuer and Company have each consulted with their own legal and other professional advisors to the extent deemed appropriate in connection with the offering of the Bonds.
- (d) The Company acknowledges that the Underwriter, without regard to priority, may allocate the Bonds between customer orders and orders that could be considered to be from "related accounts" for purposes of MSRB Rule G-11. The Company hereby agrees to the Underwriter's allocation of the Bonds to the orders that the Underwriter received during the order period for the Bonds, regardless of priority

between customer accounts and those accounts that could be considered "related accounts."

- (e) The Company agrees to deliver to the Underwriter, at such addresses as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of the Rule and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board (the "MRSB"). The Company agrees to deliver such Official Statements within seven (7) business days after the execution of this Bond Purchase Agreement.

4. Conditions of Underwriter's Obligations.

The obligations of the Underwriter to purchase and pay for the Bonds are subject to the following conditions:

- (a) The representations and covenants of the Company and the Issuer contained herein shall be true and correct as of the Closing Date.
- (b) At the Closing Date, the Company and the Issuer shall have performed all of their obligations hereunder theretofore to be performed.
- (c) At the Closing Date, there shall be delivered to the Underwriter:
 - (i) the bond counsel opinion and supplemental bond counsel opinion of Dorsey & Whitney LLP, in form and substance satisfactory to the Underwriter covering usual and customary matters;
 - (ii) an opinion of the general counsel for the Company and the Guarantor addressed to the Issuer, the Trustee and the Underwriter, in form and substance satisfactory to the Underwriter covering usual and customary matters; and
 - (iii) an opinion of Gray, Plant, Mooty, Mooty & Bennett, P.A., counsel to the Underwriter, in form and substance satisfactory to the Underwriter covering usual and customary matters.

In rendering the above opinions, counsel may rely upon customary certificates.

- (d) The Bonds, the Loan Agreement, the Indenture, the Escrow Agreement, the Mortgage, the Reserve Fund Replenishment Guaranty, the Limited Guaranty and the Disclosure Agreement, in substantially the forms existing on the date hereof, with such changes therein as may be mutually agreed upon by the parties thereto and the Underwriter, shall have been duly authorized, executed, and delivered by the respective parties thereto and such agreements and all other action taken necessary to issue and authorize the Bonds shall be in full force and effect on the Closing Date.

- (e) All proceedings and related matters in connection with the authorization, issue, sale, and delivery of the Bonds shall have been satisfactory to bond counsel and counsel for the Underwriter, and such counsel shall have been furnished with such papers and information as they may have reasonably requested to enable them to pass upon the matters referred to in this paragraph.
- (f) The Company and the Issuer shall have furnished or caused to be furnished to the Underwriter on the Closing Date certificates satisfactory to the Underwriter as to the accuracy of their respective representations and warranties contained herein as of the date hereof and as of the Closing Date and as to the performance by them of their respective obligations hereunder to be performed at or prior to the Closing Date.
- (g) The offer and sale of the Bonds and any related separate securities shall be exempt from registration under the Securities Act of 1933, as amended; the Bonds and any related separate securities shall constitute "municipal securities" within the meaning of the Securities Exchange Act of 1934, as amended; and the Indenture and any related separate securities shall be exempt from qualification under the Trust Indenture Act of 1939, as amended.
- (h) The Bonds shall be registered or exempt from registration for sale in such states as the Underwriter may designate.
- (i) No material adverse change or other development involving a prospective material and adverse change in, or affecting the affairs, business, financial condition, results of operations, prospects or properties (including the Project) of, the Issuer or the Company shall occur between the date hereof and the Closing Date, unless the Underwriter is informed of such changes or development in writing by the Company and has approved such changes.
- (j) No order suspending the sale of the Bonds in any jurisdiction in which a sale is proposed shall have been issued on or prior to the Closing Date and be continuing, and no proceedings for that purpose either shall have been instituted and shall be continuing or, to the knowledge of the Company or the Underwriter, shall be contemplated.
- (k) There shall have occurred no material change in any matters pertinent to this offering that in the judgment of the Underwriter requires a revision of or supplement to the Official Statement for sale of the Bonds.

All proceedings taken at or prior to the Closing Date in connection with the authorization, issue, and sale of the Bonds shall be satisfactory in form and substance to the Underwriter, and the Underwriter shall have been furnished with all such documents, certificates, and opinions as the Underwriter may request to evidence the accuracy and completeness of any of the representations, warranties, or statements, the performance of any covenants of the Company or the compliance with any of the conditions herein contained.

All such opinions, certificates, letters, and documents will be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Underwriter and to counsel for the Underwriter, as to which both the Underwriter and such counsel shall act reasonably.

If any conditions of the Underwriter's obligation hereunder to be satisfied prior to the Closing Date are not so satisfied, this Bond Purchase Agreement may be terminated by the Underwriter by notice in writing or by telegram to the Company and the Issuer. If so terminated, the Company agrees to pay the Issuer's costs and attorneys' fees.

The Underwriter may waive in writing compliance by the Company of any one or more of the foregoing conditions or extend the time for their performance.

5. Purchase, Sale and Delivery of the Bonds; Offering by Underwriter.

On the basis of the representations, warranties and covenants contained herein, but subject to the terms and conditions herein set forth, the Underwriter agrees to purchase from the Issuer, and the Issuer agrees to sell to the Underwriter, all, but not less than all, of the Bonds for an aggregate purchase price of \$_____ (par less Underwriter's discount of \$_____).

The Issuer will deliver the Bonds in definitive form to or for the account of the Underwriter against payment of the purchase price therefor by check payable in immediately available funds to the order of the Trustee or, at the election of the Underwriter, by wire transfer of immediately available funds to the Trustee, or any combination thereof, at or prior to 12:00 noon, Central time, on September __, 2016, or at such other time not later than five business days thereafter as the Underwriter and the Company shall mutually agree (the "Closing Date"). The Bonds will be delivered in fully registered form in such denominations and registered to such persons as the Underwriter shall request prior to the Closing Date. The Bonds may be printed, engraved, typewritten, or photocopied, and each such form shall constitute "definitive" form.

It is understood that the Underwriter proposes to offer the Bonds for sale to the public (which may include selected dealers) as set forth in the Official Statement. Concessions from the public offering price may be allowed to selected dealers. It is understood that the initial public offering price and concessions set forth in the Official Statement may vary after the initial public offering. It is further understood that the Bonds may be offered to the public at prices other than the prices specified in the Official Statement. The net premium on the sale of the Bonds, if any, shall accrue to the benefit of the Underwriter.

The Issuer has not undertaken to review and has no responsibility for the accuracy, completeness or sufficiency of the information contained in the Preliminary Official Statement or Official Statement.

6. Indemnification by Company.

The Company will indemnify and hold harmless the Underwriter and the Issuer and each person, if any, who controls the Underwriter and the Issuer within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, from and against

any and all losses, claims, damages, expenses or liabilities, joint or several, to which they or any of them may become subject under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, or under any other statute or at common law or otherwise, or pursuant to a breach of contract by the Company or an intentional or reckless untruthful representation by the Company and, except as hereinafter provided, will reimburse the Underwriter, the Issuer and each such controlling person, if any, for any legal or other expenses reasonably incurred by them or any of them in connection with investigating or defending any actions whether or not resulting in any liability, insofar as such losses, claims, damages, expenses, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement contained in the Official Statement (other than under the headings "BOOK-ENTRY-ONLY SYSTEM," "TAX EXEMPTION AND RELATED CONSIDERATIONS," or "UNDERWRITING" therein) or contained herein, or arise out of or are based on an omission from the Official Statement of information necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Underwriter and the Issuer shall not be indemnified with respect to matters which arise from their own negligence or willful misconduct. Promptly after receipt by the Underwriter, the Issuer or any such controlling person of notice of the commencement of any action in respect of which indemnity may be sought against the Company under this Section, such person will notify the Company in writing of the commencement thereof, and, subject to the provisions hereinafter stated, the Company shall assume the defense of such action (including the employment of counsel, who shall be counsel satisfactory to the Underwriter, the Issuer or such controlling person, as the case may be, and the payment of expenses) insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against the Company. The Underwriter, the Issuer or any such controlling person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the Company unless: (i) the employment of such counsel has been specifically authorized by the Company, or (ii) the named parties to any such action (including any impleaded parties) include both such indemnified party and the Company and a conflict of interest between the Company and such indemnified party is likely to arise. In such event, the Company shall not have the right to assume the defense of such action as to the indemnified party, and the indemnified party shall have the right to select separate counsel to assume such legal defense and to otherwise participate in the defense of such action. It is understood that in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, the Company shall not be liable for the fees and expenses of more than one separate firm of attorneys for all such indemnified parties. The Company shall not be liable to indemnify any person for any settlement of any such action effected without its consent. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

To the same extent as the foregoing indemnity contained in this Section from the Company to the Underwriter and the Issuer and each person, if any, who controls the Underwriter and the Issuer, the Underwriter agrees to indemnify and hold harmless the Company and the Issuer and each person, if any, who controls the Company and the Issuer within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, provided however, that such indemnification relates only to the information in the Official Statement under the heading "UNDERWRITING." In case any such claim shall be presented in writing or any action shall be brought against the Company or the Issuer based on such section of the Official

Statement, in respect of which indemnity may be sought from the Underwriter on account of its agreement contained in this Section, the Underwriter shall have the rights and duties given to the Company in the immediately preceding paragraph and the Company and the Issuer shall have the rights and duties given by the immediately preceding paragraph to the Underwriter and the Issuer.

7. Contribution.

If the indemnification provided for in Section 6 is unenforceable (as determined by final judgment of a court of competent jurisdiction) or otherwise unavailable to an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to herein, the Company shall, in lieu of indemnifying the indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the indemnified party on the other from the offering of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required herein, then the Company shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the indemnified party on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the indemnified party on the other shall be deemed to be in the same proportion as the total issue price (as defined in the Code) of the offering which is received by the Company bears to the total underwriting discount and/or fees received by such indemnified party. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and such indemnified party agree that it would not be just and equitable if contribution pursuant to this subsection were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this paragraph, the indemnified party shall not be required to contribute any amount in excess of the amount by which the total underwriting discount and/or fees received by such indemnified party with respect to the Bonds exceeds the amount of any damages which the indemnified party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

8. Payment of Costs and Expenses.

All costs and expenses incident to the execution and performance of this Bond Purchase Agreement and to the sale and delivery of the Bonds shall be payable by the Company on the

Closing Date, including, but not limited to: (i) the fees and expenses of the counsel and accountants to the Company; (ii) the fees and expenses of bond counsel; (iii) all costs and expenses incurred in connection with the preparation, printing, and distribution of the Preliminary Official Statement and Official Statement; (iv) the fees and expenses of counsel to the Underwriter; (v) all fees, costs and expenses of the Trustee; (vi) all costs and expenses incurred in connection with the preparation and printing of the Bonds; (vii) fees in connection with the qualification of the Bonds for sale and determination of the eligibility for investment under state securities laws; (viii) any fee, costs and expenses of the Issuer and its counsel; and (ix) out-of-pocket expenses of the Underwriter.

9. Termination.

The Underwriter may terminate its obligations hereunder by written notice to the Issuer and the Company, and if, at any time subsequent to the date hereof and on or prior to the Closing Date:

- (a) (i) Legislation shall have been enacted by the Congress, or recommended to the Congress for passage by the President of the United States or the Department of the Treasury of the United States or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling, regulation or communication (including a press release) shall have been issued by the Department of the Treasury of the United States or the Internal Revenue Service, in each case referred to in clauses (i), (ii) and (iii), with the purpose or effect, and reasonable likelihood, directly or indirectly, of causing interest on the Bonds to be includable in gross income for purposes of Federal income taxation.
- (b) Legislation shall have been enacted or a decision by a court of the United States shall be rendered or any action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Underwriter, has the effect of requiring the offer or sale of the Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, or any event shall have occurred that, in the judgment of the Underwriter, makes untrue or incorrect in any material respect any statement or information contained in the Preliminary Official Statement or Official Statement or that, in the judgment of the Underwriter, should be reflected therein in order to make the statements contained therein not misleading in any material respect.
- (c) (i) In the judgment of the Underwriter, the market price of the Bonds is adversely affected because (A) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the

extension of credit by, or the charge to the net capital requirements of, underwriters; (B) a general banking moratorium shall have been established by Federal, New York or Minnesota authorities; or (C) a war involving the United States of America shall have been declared, or any other national or international calamity or crisis shall have occurred, or any conflict involving the armed forces of the United States of America shall have escalated to such a magnitude as to materially affect the ability of the Underwriter to market the Bonds; (ii) any litigation shall be instituted, pending, or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way contesting or affecting any authority or security for or the validity of the Bonds, or the existence or powers of the Issuer; or (iii) legislation shall have been introduced in or enacted by the Legislature of the State of Minnesota with a purpose or effect that would, in the reasonable judgment of the Underwriter, adversely affect the security for the Bonds.

- (d) There shall have occurred any change that, in the reasonable judgment of the Underwriter, makes unreasonable or unreliable any of the assumptions on which (i) yield on the Bonds was determined for purposes of compliance with the Code, (ii) payment of debt service on the Bonds was determined, or (iii) the exclusion from gross income for Federal income tax purposes of interest on the Bonds was determined.
- (e) Additional material restrictions, not in force as of the date hereof, shall have been imposed on trading in securities generally by any governmental authority or by any national securities exchange.
- (f) There shall exist general political, regulatory, economic or market conditions which, in the sole judgment of the Underwriter, shall not be satisfactory to permit the sale of the Bonds.

10. Survival of Certain Representations and Warranties.

All agreements, covenants, representations and warranties and all other statements of the Issuer and its officials and officers and the Company set forth in or made pursuant to this Bond Purchase Agreement shall remain in full force and effect and shall survive the Closing Date and the delivery of and payment for the Bonds.

11. Governing Law.

This Bond Purchase Agreement shall be governed by the laws of the State of Minnesota.

12. Counterparts.

This Bond Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

13. Severability.

If any portion of this Bond Purchase Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible:

- (a) the remainder of this Bond Purchase Agreement shall be considered valid and operative, and
- (b) effect shall be given to the intent manifested by the portion held invalid or inoperative.

14. Notices.

All notices provided for in this Bond Purchase Agreement shall be made in writing either:

- (a) By actual delivery of the notice into the hands of the parties entitled thereto, or
- (b) By the mailing of the notice in the United States mails to the address stated below (or at such other address as may have been designated by written notice), of the party entitled thereto, by certified or registered mail, return receipt requested. The notice shall be deemed to be received (i) in case of actual delivery on the date of its actual receipt by the party entitled thereto, and (ii) in case of mailing on the date of deposit in the United States mail, postage prepaid.

All communications hereunder, except as herein otherwise specifically provided, shall be in writing and mailed or delivered:

To the Underwriter: Northland Securities, Inc.
45 South Seventh Street, Suite 2000
Minneapolis, MN 55402
Attn: Public Finance

To the Company: Grandview Christian Home
2845 Hamline Avenue North, Suite 200
Roseville, MN 55133
Attn: Chief Financial Officer

To the Issuer: City of Milaca
255 1st Street East
Milaca, MN 55653-1609
Attn: City Manager

15. Modification of the Bond Purchase Amendment.

This Bond Purchase Agreement may not be modified or amended except by written agreement executed by all parties hereto.

16. Number and Gender of Words.

Whenever the context so requires, the masculine shall include the feminine and neuter, and the singular shall include the plural, and conversely.

17. Other Instruments.

The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out this Bond Purchase Agreement.

18. Captions.

The captions used in this Bond Purchase Agreement are for convenience only and shall not be construed in interpreting this Bond Purchase Agreement.

19. Parties.

This Bond Purchase Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors, legal representatives, heirs and assigns.

20. Entire Agreement.

This Bond Purchase Agreement contains the entire understanding between the parties hereto and supersedes any prior understandings or written or oral agreements between them respecting the subject matter hereof.

21. Time.

Time shall be of essence of this Bond Purchase Agreement.

NORTHLAND SECURITIES, INC.

By: _____
Its Executive Vice President

Confirmed and accepted as of the date first above written.

CITY OF MILACA, MINNESOTA

By: _____
Mayor

By: _____
City Manager

Confirmed and accepted as of the date first above written.

GRANDVIEW CHRISTIAN HOME

By: _____
Its: Chief Financial Officer

Schedule A

I. Maturity Schedule

<u>Maturity Date*</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2031			
2033			

*The Bonds are subject to semiannual mandatory sinking fund redemption on the dates and in the amounts provided in the Indenture.

II. Optional Redemption

The Bonds maturing on or after October 1, _____ are subject to optional redemption prior to maturity upon request of the Company in whole or in part on any day on or after October 1, _____, in such order of maturities as shall be selected by the Company and by lot within a maturity, at their principal amount, plus accrued interest to the redemption date, plus a 1% premium if the redemption date is prior to October 1, _____.

GP:4555622 v1

DRAFT: 08/05/2016

\$9,315,000
City of Milaca, Minnesota
Refunding Revenue Bonds
(Grandview Christian Home Project)
Series 2016

TRUST INDENTURE

Dated as of September 1, 2016

From

CITY OF MILACA, MINNESOTA

to

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

This instrument was drafted by:

Dorsey & Whitney LLP
Suite 1500
50 South Sixth Street
Minneapolis, Minnesota 55402-1498

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TRUST INDENTURE

This TRUST INDENTURE, dated as of September 1, 2016, is entered into by and between the CITY OF MILACA, MINNESOTA, a municipal corporation of the State of Minnesota (herein sometimes called the "City" or the "Issuer") and U.S. BANK NATIONAL ASSOCIATION, a national banking association with trust powers (together with its successors and assigns, the "Trustee").

WITNESSETH:

WHEREAS, the Issuer is a duly organized and existing municipal corporation under the laws of the State of Minnesota, and is authorized to issue its revenue bonds and refunding revenue bonds pursuant to the provisions of Minnesota Statutes, Chapter 462C, as amended (the "Act"), in accordance with the provisions thereof; and

WHEREAS, as authorized by the Act, the Issuer has agreed, with the assent of the City of Cambridge, to issue its refunding revenue bonds (as further described herein, the "Series 2016 Bonds"), to provide for the refunding of certain outstanding revenue bonds (as more fully described herein, the "Series 2013 Bonds" or the "Refunded Bonds"), which Refunded Bonds were originally issued by the City of Cambridge to provide refinancing for certain senior housing and assisted living facilities in the City of Cambridge (as further described herein, the "Project"); and

WHEREAS, to effect the refunding, the Issuer has agreed to make a loan to Grandview Christian Home, a Minnesota nonprofit corporation (the "Borrower"), as successor by merger to Grandview West, Inc. (the "Prior Borrower"), all pursuant to a Loan Agreement of even date herewith (the "Loan Agreement"), and, under the Loan Agreement, the Borrower will agree to effect the refunding of the Series 2013 Bonds and to make loan repayments, at times and in amounts, sufficient to provide for payment in full of all principal of, premium, if any, and interest on the Series 2016 Bonds when due; and

WHEREAS, the proceeds of the Series 2016 Bonds, together with any other required funds, will be used by the Borrower pursuant to the Loan Agreement for the specific authorized purposes of refunding the Refunded Bonds, as described herein, funding required reserves, and partially defraying the costs of issuance of the Series 2016 Bonds; and

WHEREAS, the Borrower has agreed to execute and deliver to the Trustee a Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents of even date herewith (the "Mortgage"), to provide security for the Series 2016 Bonds and the Borrower's obligations under the Loan Agreement; and

WHEREAS, the Series 2016 Bonds, the form of assignment thereof and the Trustee's authentication certificate to be endorsed on the Series 2016 Bonds are to be in substantially the form attached as Exhibit A hereto; and

WHEREAS, the execution and delivery of this Indenture have been duly authorized by the Governing Body, and all conditions, acts and things necessary and required by the Constitution and laws of the State of Minnesota, or otherwise, to exist, to have happened or to have been performed precedent to and in the execution and delivery of this Indenture, and in the issuance of the Series 2016 Bonds, do exist, have happened or have been performed in regular form, time and manner, and the execution and delivery of this Indenture have been in all respects duly authorized; and

WHEREAS, the Trustee has accepted the trust created by this Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

That the City of Milaca, Minnesota in order to secure the payment of the principal of, premium (if any) and interest on the Bonds issued under this Indenture according to their tenor and effect and the performance and observance of each and all of the covenants and conditions herein and therein contained, and for and in consideration of the premises and of the purchase and acceptance of the Bonds by the respective purchaser or purchasers and registered owners thereof, and for other good and valuable consideration, the receipt whereof is hereby acknowledged, has executed and delivered this Indenture and has granted, bargained, sold, assigned, transferred, conveyed, pledged and set over, and by these presents does hereby grant, bargain, sell, assign, transfer, convey, pledge and set over, unto the Trustee, and to its successor or successors in the trust hereby created and to its assigns forever:

I.

All of the rights and interests of the Issuer in the Loan Agreement, except for the rights of the Issuer relating to expenses, indemnity, payment of attorneys' fees and advances of the Issuer under Sections 4.04(b), 6.01, 7.04 and 7.05 thereof.

II.

A first lien on and pledge of all right, title and interest in (i) the moneys and investments in the Bond Fund, Sinking Fund, Reserve Fund and Optional Redemption Fund covenanted to be created and maintained under this Indenture, (ii) moneys and investments in the Project Fund not paid out to meet Project Costs and (iii) Net Proceeds of any insurance or condemnation award held by the Trustee pursuant to the terms of the Loan Agreement, the Mortgage or this Indenture.

III.

Any and all other property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, assigned or transferred, or in which a security interest is granted by the Issuer or the Borrower or by anyone in behalf of them or with their written consent, to the Trustee, which is hereby authorized to receive any and all such

property at any and all times and to hold and apply the same according to the terms hereof, including but not limited to the Mortgage and the Guarantees.

TO HAVE AND TO HOLD all and singular the said property hereby conveyed and assigned, or agreed or intended so to be, to the Trustee, its successor or successors in trust and its and their assigns, FOREVER.

IN TRUST NEVERTHELESS, upon the terms and trust herein set forth, for the equal and proportionate benefit, security and protection of all Holders of the Bonds issued or to be issued under and secured by this Indenture, without preference, priority or distinction as to lien or otherwise of any of the Bonds over any of the others;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay or cause to be paid the principal of the Bonds and the premium (if any) and interest due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee sums sufficient to pay the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof; then upon such final payment this Indenture and the rights hereby granted shall cease, determine and be void; otherwise, this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property hereby assigned or pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted and does hereby agree and covenant with the Trustee and with the respective owners from time to time of the said Bonds or any part thereof, as follows, that is to say:

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ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Article I and in the recitals and succeeding Articles of this Indenture shall, for all purposes of this Indenture and of any indenture supplemental hereto, have the meanings herein specified, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined:

“Act” means Minnesota Statutes, Chapter 462C, as amended.

“Additional Bonds” means any Additional Bonds issued pursuant to Section 2.09 hereof.

“Additional Parity Indebtedness” means Additional Parity Indebtedness incurred by the Borrower pursuant to Section 6.11 of the Loan Agreement.

“Authorized Borrower Representative” means any person at the time designated to act on behalf of the Borrower by written certificate furnished to the Issuer and the Trustee, containing the specimen signature of such person and signed by the President, any Vice President, the Secretary, the Treasurer or the Chief Financial Officer of the Borrower. Such Certificate may designate an alternate or alternates.

“Authorized Issuer Representative” means the person at the time designated to act on behalf of the Issuer by resolution or written certificate furnished to the Borrower and the Trustee, containing the specimen signature of such person and signed on behalf of the Issuer by its Mayor or City Manager. Such Certificate may designate an alternate or alternates.

“Beneficial Owner” means, with respect to the Bonds while in Book-Entry Form, each person who beneficially owns such Bond(s) and on whose behalf, directly or indirectly, such Bond is held by the Depository pursuant to the Book-Entry System.

“Bethel Bonds” means the revenue bonds authorized to be issued by the City of Bethel, Minnesota, in an aggregate principal amount not to exceed \$42,000,000, all on a parity with the Series 2016 Bonds pursuant to the Intercreditor and Parity Agreement.

“Bethel Bonds Indenture” means the Trust Indenture to be entered into in connection with the issuance of the Bethel Bonds by the City of Bethel, Minnesota, and the Bethel Bonds Trustee, authorizing the issuance of the Bethel Bonds.

“Bethel Bonds Loan Agreement” means the Loan Agreement to be entered into in connection with the issuance of the Bethel Bonds between the City of Bethel, Minnesota and the Borrower.

“Bethel Bonds Mortgage” means the Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents to be entered into in

connection with the issuance of the Bethel Bonds between the Borrower and the Bethel Bonds Trustee.

“Bethel Bonds Trustee” means U.S. Bank National Association, as trustee under the Bethel Bonds Indenture.

“Bond Counsel” means Independent nationally recognized bond counsel designated by the Issuer.

“Bond Fund” means the Bond Fund established under Section 5.01 of this Indenture.

“Bond Resolution” means the resolution of the Issuer adopted by the Governing Body on August 18, 2016, authorizing the Series 2016 Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

“Bonds” means the Series 2016 Bonds, together with any Additional Bonds issued pursuant to Section 2.09 hereof.

“Book-Entry Form” means Bonds which are held in the name of the Depository (or its nominee) with each maturity evidenced by a single Bond certificate.

“Book-Entry System” means a system of record-keeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and the Participants.

“Borrower” means Grandview Christian Home, a Minnesota nonprofit corporation, its successors and assigns.

“Call Date” means, whenever used with reference to the Refunded Bonds, October 1, 2018.

“Certificate” means a certification in writing required or permitted by the provisions of the Loan Agreement or this Indenture signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions of Section 1.02 hereof, each Certificate shall include the statements provided for in said Section 1.02.

“Certified Resolution” means a copy of a resolution of the Governing Body, certified by the City Manager to have been duly adopted by said Governing Body and to be in full force and effect on the date of such certification.

“City” or “Issuer” means City of Milaca, a municipal corporation of the State of Minnesota, its successors and assigns.

“Closing Date” means the date of issuance and initial delivery to the Original Purchaser of the Series 2016 Bonds.

“Cost of Issuance Account” means the Cost of Issuance Account established within the Project Fund, in accordance with the Indenture and this Loan Agreement.

“Costs of Issuance” means costs of issuance of the Series 2016 Bonds, including but not limited to underwriting commissions and expenses, legal fees and expenses, accounting fees and expenses, fees of the Issuer, and initial fees of the Trustee, all as payable from the Costs of Issuance Account, in accordance with the Loan Agreement and this Indenture.

“Default” means default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Indenture, or in the Bonds outstanding hereunder, exclusive of any notice or period of grace required for a default to constitute an “event of default” as hereinafter provided.

“Depository” means The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds directly or indirectly for the Original Purchaser to act as the Depository; provided that any Depository shall be registered or qualified as a “clearing agency” within the meaning of Section 17A of the Securities Exchange Act, as amended.

“Determination of Taxability” means the issuance of a statutory notice of deficiency by the Internal Revenue Service, or a ruling of the National Office or any District Office, or a final decision by any court of competent jurisdiction that interest on any of the Series 2016 Bonds is includable in the gross income of the recipient under Section 103 and related Sections of the Internal Revenue Code and regulations thereunder because of any act or omission of the Borrower (or any successor or transferee) or of the Trustee, provided that the period for a contest or appeal, if any, of such action, ruling or decision has expired without any such appeal or contest having been instituted, or, if instituted, such contest or appeal has been unsuccessfully concluded. Inclusion of interest on any of the Series 2016 Bonds in the computation of any alternative minimum tax shall not be a Determination of Taxability.

“Draw Request” means a requisition, substantially in the form set forth as Exhibit B hereto, to be submitted by the Borrower to the Trustee in connection with the disbursement of proceeds of the Series 2016 Bonds for the payment or reimbursement of Costs of Issuance, in accordance with the provisions hereof and of the Loan Agreement.

“Escrow Agent” means U.S. Bank National Association, as escrow agent under the Escrow Agreement, its successors and assigns.

“Escrow Agreement” means the Escrow Agreement of even date herewith by and between the Borrower, the Prior Borrower and the Escrow Agent, as amended or supplemented from time to time.

“Event of Default” means an Event of Default described in Section 7.01 of this Indenture which has not been cured.

“Final Computation Date” shall have the meaning set forth in Treasury Regulation §1.148-3(e)(2).

“Fund” means, whenever used with reference to this Indenture, the Project Fund, the Bond Fund, the Sinking Fund, the Reserve Fund, and/or the Optional Redemption Fund.

“Governing Body” means, with respect to the Issuer, the City Council of the Issuer, or its successor as governing body of the Issuer.

“Guarantees” means the Limited Guaranty and the Reserve Fund Replenishment Guaranty.

“Guarantor” means Presbyterian Homes and Services, a Minnesota nonprofit corporation.

“Holder,” “Bondholder” or “owner” whenever employed herein with respect to a Bond means the person in whose name such Bond shall be registered.

“Income Available for Debt Service” means, in any fiscal year, the excess of Operating Revenues over Operating Expenses, but (i) including in Operating Revenues: (a) charitable contributions and interest and income on investments available for operations or debt service (exclusive of any unrealized gains or losses on investments); (b) unrestricted equity transfers of cash or cash equivalents from commonly controlled affiliates; and (c) proceeds of casualty insurance received by the Borrower in connection with mortgaged property where the terms of the mortgage indebtedness permit prepayment thereof with such proceeds and where the Borrower has made a written election to apply such proceeds to such prepayment; and (ii) excluding from Operating Expenses: (a) depreciation, amortization and interest expense; and (b) any loss resulting from the extinguishment of indebtedness.

“Indenture” means this Trust Indenture between the Issuer and U.S. Bank National Association, as Trustee, dated as of September 1, 2016, under which the Bonds are authorized to be issued, and including any amendments or supplements thereto.

“Independent”, when used with reference to an attorney, engineer, architect, certified public accountant, consultant or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the Borrower or the transaction to which his Certificate or opinion relates (other than payment to be received for professional services rendered), and (iii) is not connected with the Issuer or the Borrower as a commissioner or an officer, director or employee.

“Independent Counsel” means an Independent attorney duly admitted to practice law before the highest court of any state.

“Independent Engineer” means an Independent engineer or engineering firm or an Independent architect or architectural firm selected by the Borrower qualified to practice the profession of engineering or architecture under the laws of Minnesota.

“Installment Computation Date” shall have the meaning set forth in Treasury Regulation §1.148-3(e)(1).

“Interest Payment Date” means each April 1 and October 1, commencing April 1, 2017.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended.

“Issuer” or “City” means City of Milaca, a municipal corporation of the State of Minnesota, its successors and assigns.

“Land” means the land and interests in land constituting the site of the Project Buildings, as described in Exhibit A to the Mortgage, subject to the provisions of Section 5.08 of the Loan Agreement providing for the release of real property.

“Letter of Representations” means the Blanket Letter of Representations between the Depository and the Issuer and any amendments or supplements thereto.

“Limited Guaranty” means the Limited Guaranty Agreement of even date herewith from the Guarantor to the Trustee, as the same may be amended from time to time in accordance with the provisions of this Indenture.

“Loan Agreement” means the Loan Agreement of even date herewith, between the Issuer and the Borrower, as amended or supplemented from time to time.

“Loan Repayments” means the payments made or to be made by the Borrower pursuant to Section 4.02 of the Loan Agreement.

“Mortgage” means the Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents of even date herewith from the Borrower to the Trustee, and all amendments and supplements thereto.

“Mortgaged Property” means the property subject to the lien of the Mortgage, as described therein.

“Net Proceeds” means, when used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the Borrower as owner or the Trustee as secured party of the Project Facilities, less the cost of recovery (including attorneys’ fees) of such moneys from the insuring company or the condemning authority.

“Operating Expenses” means, in any fiscal year, direct and indirect costs and expenses (including depreciation, allowance for doubtful accounts, amortization and interest expense) incurred by the Borrower, as determined by generally accepted accounting principles and the Borrower’s audited financial statements, provided in accordance with Section 6.02 of the Loan Agreement.

“Operating Revenues” means, in any fiscal year, total operating revenue of the Borrower (less contractual allowances and free care), as determined by generally accepted accounting principles and the Borrower’s audited financial statements (provided in accordance with Section 6.02 of the Loan Agreement), but excluding extraordinary or non-recurring items (such as any gain resulting from the sale of assets not made in the ordinary course of business).

“Opinion of Counsel” means a written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the Borrower or Issuer and acceptable to the Trustee. If and to the extent required by the provisions of Section 1.02 hereof, each Opinion of Counsel shall include the statements provided for in said Section 1.02.

“Optional Redemption Fund” means the Optional Redemption Fund established under Section 5.02 of this Indenture.

“Original Purchaser” means Northland Securities, Inc.

“Outstanding” when used as of any particular time with reference to Bonds means (subject to the provisions of Section 9.03 of this Indenture pertaining to Bonds held by the Issuer and the Borrower) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of this Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 pertaining to replacement of Bonds.

“Permitted Encumbrances” means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent Engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Buildings, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Borrower, (iv) the Mortgage and the Bethel Bonds Mortgage, (v) any mortgage lien subordinate to the lien of the Mortgage and the Bethel Bonds Mortgage to be granted by the Borrower after the date of issuance of the Bonds in connection with any indebtedness for borrowed money, provided, however, that the terms of any such indebtedness shall require notice of any default thereunder to be provided to the Trustee and shall provide the Trustee with an opportunity to cure any such default, (vi) purchase money security interests granted in connection with the acquisition of Project Equipment, (vii) any intercreditor and parity agreement entered into pursuant to Section

6.11 of the Loan Agreement, and (viii) those additional encumbrances identified in Exhibit B to the Mortgage and the Bethel Bonds Mortgage.

“Predecessor Bonds” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and for purposes of this definition, any Bond authenticated and delivered under Section 2.07 hereof in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

“Principal Trust Office” means for the Trustee originally appointed hereunder, the designated corporate trust office of the Trustee which at the date of execution of this Indenture is that specified in Section 13.07 of this Indenture.

“Prior Borrower” means Grandview West, Inc., a Minnesota nonprofit corporation.

“Prior Indenture” means the Trust Indenture dated as of June 1, 2013, between the Issuer and the Prior Trustee.

“Prior Issuer” means the City of Cambridge, a municipal corporation of the State of Minnesota.

“Prior Loan Agreement” means the Loan Agreement dated as of June 1, 2013, between the Prior Issuer and the Prior Borrower.

“Prior Trustee” means U.S. Bank National Association, acting as trustee under the Prior Indenture.

“Project” means the Project described in Section 1.03 hereof.

“Project Buildings” shall have the meaning set forth in the Loan Agreement.

“Project Costs” means the costs defined in Section 4.03 of this Indenture.

“Project Equipment” shall have the meaning set forth in the Loan Agreement.

“Project Facilities” shall have the meaning set forth in the Loan Agreement.

“Project Fund” means the Project Fund established under Section 4.02 hereof.

“Qualified Investments” means investments authorized by the Act and described in Section 5.04 of this Indenture.

“Redeem” or “redemption” means and includes “prepay” or “prepayment” as the case may be.

“Refunded Bonds” means the Series 2013 Bonds.

“Refunding Account” means the Refunding Account established within the Project Fund in accordance with the Indenture and this Loan Agreement.

“Regular Record Date” for the interest payable on any interest payment date on the fully registered Bonds of any series means the date specified in the provisions of this Indenture creating such series.

“Reserve Fund” means the Reserve Fund established under Section 5.03 hereof.

“Reserve Fund Replenishment Guaranty” means the Reserve Fund Replenishment Guaranty Agreement of even date with this Loan Agreement from the Guarantor to the Trustee, as the same may be amended from time to time in accordance with the provisions of the Indenture.

“Reserve Requirement” means an amount equal to \$_____.

“Responsible Officer” of any Trustee hereunder means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, every corporate trust officer, and every officer and assistant officer of such trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

“Series 2013 Bonds” or “Refunded Bonds” means Housing and Health Care Facilities Revenue Refunding Bonds (Grandview West, Inc. Project), Series 2013, issued by the Prior Issuer in the original aggregate principal amount of \$9,515,000, pursuant to the terms and conditions of the Prior Indenture.

“Series 2016 Bonds” means the City of Milaca, Minnesota, Refunding Revenue Bonds (Grandview Christian Home Project), Series 2016, authorized by the Bond Resolution and described in Section 2.01 hereof.

“Sinking Fund” means the Sinking Funds established under Section 3.08 hereof, which Sinking Funds shall be maintained by the Trustee as part of the Bond Fund.

“Special Record Date” for the payment of any Defaulted Interest (as defined in Section 2.05 hereof) on fully registered Bonds means a date fixed by the Trustee pursuant to Section 2.05 hereof.

“Total Principal and Interest Requirements” means, in any fiscal year, the total amount of principal of and interest on any indebtedness of the Borrower, including indebtedness in the form of capitalized leases and installment purchase agreements, with a term (including extensions and renewals) of more than one year, and including any indebtedness represented by Bonds then outstanding, which is to be due and payable in such fiscal year, but excluding any interest expense which has been funded from the proceeds of Bonds or other indebtedness.

“Trustee” means the trustee at the time serving as such under the Indenture.

“Trust Estate” means the interest of the Issuer in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of this Indenture; and additional property held by the Trustee pursuant to Granting Clause III of this Indenture, including the Mortgage and the Guarantees.

Section 1.02 Characteristics of Certificate or Opinion. Every Certificate or Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture or the Loan Agreement, and except for certificates and opinions given pursuant to Section 2.08 hereof, shall include: (i) a statement that the person or persons making such Certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Certificate or opinion are based; (iii) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (iv) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any Certificate made or given by an officer of the Issuer or the Borrower or by an Independent engineer, architect, consultant or other person may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such person knows that the Opinion with respect to the matters upon which his Certificate may be based as aforesaid is erroneous, or, in the exercise of reasonable care, should have known that the same was erroneous. Any such Certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, information with respect to which is in the possession of the Issuer or the Borrower, upon a supporting Certificate of an officer or officers of the Issuer or the Borrower, unless the signer knows that the supporting Certificate with respect to the matters upon which his Certificate or opinion may be based as aforesaid is erroneous, or, in the exercise of reasonable care, should have known that the same was erroneous. The Trustee may rely upon any Certificate or Opinion without independent investigation.

An “application” for the authentication and delivery of Bonds, or the release of property, or the withdrawal of cash, under any provision of this Indenture, shall consist of, and shall not be deemed complete until the Trustee shall have been furnished with, all such documents, cash, bonds, securities and other instruments as are required by such provision to establish the right of the Issuer or the Corporation to the transaction applied for, and the date of such application shall be deemed to be the date upon which such application shall be so completed.

Section 1.03 Description of Project. The term “Project” refers to the existing senior housing and assisted living facilities owned by the Borrower and located at 135 Fern Street North in the City of Cambridge, Minnesota. Refinancing for the Project was provided by the Series 2013 Bonds; the Series 2016 Bonds are being issued to refund in full the Series 2013 Bonds.

Section 1.04 Additional Provisions as to Interpretation. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not any particular Article, Section or subdivision hereof.

Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or funds in the necessary amount to pay or redeem any Bonds, the amount so to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any.

Any terms defined in the Loan Agreement but not defined herein shall have the same meaning herein unless the context hereof clearly requires otherwise.

This Indenture is governed by and shall be construed in accordance with the laws of Minnesota.

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next Business Day with the same force and effect as if done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

ARTICLE II

FORM, EXECUTION AND REGISTRATION OF BONDS

Section 2.01 Form, Maturities and Numeration of Series 2016 Bonds. The Series 2016 Bonds to be issued and secured under this Indenture shall each be designated "Refunding Revenue Bond (Grandview Christian Home Project), Series 2016". The Series 2016 Bonds and Certificates of Trustee and Assignment shall be substantially in the form set forth in Exhibit A hereto. The Series 2016 Bonds shall be issued in fully registered form in the denomination of \$5,000 each, or any integral multiple thereof not exceeding the principal amount maturing in any year, initially numbered from R-1 upwards in order of maturity, and the Series 2016 Bonds originally issued, and not in exchange for Predecessor Bonds, shall be dated the date of delivery thereof to the Original Purchaser. Series 2016 Bonds issued in exchange for Predecessor Bonds shall be dated the date to which interest has been paid on the Series 2016 Bonds being surrendered for exchange, or dated the date of delivery if issued prior to the first interest payment date, and shall be numbered in order of issuance commencing with the next number after the highest number assigned to the initial Bonds. No single Series 2016 Bond shall represent principal payable or maturing in different years. The Series 2016 Bonds shall bear interest payable semiannually on April 1 and October 1 each year, commencing April 1, 2017, from the date of delivery thereof or the most recent interest payment date to which interest has been paid or duly provided for. Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30-day months. The principal and redemption price of the Series 2016 Bonds shall be payable to the registered owner upon presentation at the Principal Trust Office in such coin or currency of the United States of America as may be, on the respective dates of payment thereof, legal tender for the payment of public and private debts, and interest on Series 2016 Bonds shall be paid by check or draft mailed to the registered owner at his registered address. The Regular Record Date for the payment of interest on the Series 2016 Bonds payable, and punctually paid or duly provided for, on any interest payment date shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date. The Series 2016 Bonds shall be in the aggregate principal amount of \$9,315,000, and shall mature on October 1 of the years and bear interest at the rates per annum, according to years of maturity, as follows:

<u>Year</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2017			2026		
2018			2027		
2019			2028		
2020			2029		
2021			2030		
2022			2031		
2023			2032		
2024			2033		
2025					

Section 2.02 Execution of Bonds. The Bonds shall be signed in the name of the Issuer by the manual or facsimile signature of any officer or officers of the Issuer, and said signature or signatures shall be authenticated by the Trustee, which is hereby designated as authenticating agent. The official seal of the Issuer may be omitted from the Bonds to the extent permitted by law. In the event that any officer whose signature appears on any Bonds shall cease to be an officer of the Issuer before such Bond shall have been authenticated or delivered by the Trustee, such Bond may, nevertheless, be authenticated, delivered, and issued, and upon such authentication, delivery and issue, shall be binding upon the Issuer as though those officers who signed the same had continued to be such officers of the Issuer; and, also, any Bond may be signed and sealed on behalf of the Issuer by such person who, at the actual date of execution of such Bond, shall be the proper officer of the Issuer, although at the date of such Bond such person shall not have been such an officer of the Issuer. Upon the execution and delivery of this Indenture the Issuer shall execute and deliver the Series 2016 Bonds to the Trustee for authentication.

Section 2.03 Authentication of Bonds. No Bonds shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder or under the Loan Agreement or the Bond Resolution unless a Responsible Officer of the Trustee shall manually endorse and execute on such Bond a certificate of authentication substantially in the form of the Certificate of Trustee hereinabove set forth. Such Certificate of Trustee upon any Bond shall be conclusive evidence that such Bond so authenticated has been duly issued under this Indenture and that the Holder thereof is entitled to the benefits of this Indenture, the Loan Agreement, and the Bond Resolution.

No Bonds shall be authenticated by the Trustee except in accordance with this Article.

The Trustee shall not be required to authenticate any Bond unless provided with the documents referred to in Section 2.08 and, with respect to Additional Bonds, Section 2.09 hereof.

Section 2.04 Registration, Transfers and Exchange. As long as any of the Bonds issued hereunder shall remain outstanding, the Trustee shall maintain and keep at the Principal Trust Office, as paying agent, an office or agency for the payment of the principal of and interest on such Bonds, as in this Indenture provided, and for the registration and transfer of such Bonds, and shall also keep at said Principal Trust Office records of such registration and transfer. The Issuer does hereby appoint the Trustee, and its successors in the trust from time to time, as its agent to maintain said office and agency at the Principal Trust Office.

Upon surrender for transfer of any fully registered Bond at the Principal Trust Office with a written instrument of transfer in accordance with the provisions of this Indenture, duly executed by the registered owner or his duly authorized attorney, and upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, the Issuer shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more fully registered Bonds of the same series, of any authorized denominations and of a like aggregate principal amount, interest rate and maturity.

Except as the right of exchange may be limited as to Bonds of any series, fully registered Bonds, upon surrender thereof at the office of the Trustee may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of fully registered Bonds of the same series, maturity and interest rate of any authorized denominations.

In all cases in which the privilege of exchanging Bonds or transferring fully registered Bonds is exercised, the Issuer shall execute and the Trustee shall deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the Issuer or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision of this Indenture, the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Issuer or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) shall be paid by the Borrower pursuant to the Loan Agreement. The Issuer shall not be obligated to make any such exchange or transfer of Bonds during the fifteen (15) days next preceding the date of the first publication or the mailing (if there is no publication) of notice of redemption in the case of a proposed redemption of Bonds. The Issuer and Trustee shall not be required to make any transfer or exchange of any Bonds called for redemption.

Section 2.05 Payment of Interest on Bonds; Interest Rights Preserved. Interest on any fully registered Bond of any series which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest specified in the provisions of this Indenture creating such series.

Any interest on the Bonds which is payable, but is not punctually paid or duly provided for, on any interest payment date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest may be paid by the Trustee, at the election of the Trustee in each case, as provided in Subsection A or B below:

A. The Trustee may elect to make payment of any Defaulted Interest on the fully registered Bonds of any series to the persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the funds with which to make the proposed payment. The Trustee shall promptly notify the Borrower and the Issuer of such Special Record Date and, at the expense of the Borrower, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner of a fully registered Bond at his address as it appears in the registration records

maintained by the Trustee not less than 10 days prior to such Special Record Date. The Trustee shall, at the expense of the Borrower, cause a similar notice to be published at least once in a financial newspaper, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the following Subsection B.

B. The Trustee may make payment of any Defaulted Interest on the fully registered Bonds of any series in any other lawful manner, if such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Section 2.06 Ownership of Bonds. As to any Bond, the Issuer, the Borrower and the Trustee and their respective successors, each in its discretion, may deem and treat the person in whose name the same for the time being shall be registered, according to the registration records maintained by the Trustee hereunder, as the absolute owner thereof for all purposes and neither the Issuer nor the Trustee nor their respective successors shall be affected by any notice to the contrary. Payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 2.07 Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any outstanding Bond shall become mutilated or be destroyed, stolen or lost, the Trustee shall authenticate and deliver a new Bond of like tenor, number and amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee that such Bond has been destroyed, stolen or lost and upon furnishing the Issuer, the Trustee and the Borrower with indemnity satisfactory to them and complying with such other reasonable regulations as the Issuer, the Trustee and the Borrower may establish and payment of any expenses which the Issuer, the Trustee or the Borrower may incur in connection therewith. In the event any such Bond shall have matured, instead of issuing a substitute Bond, the Issuer may pay the same without surrender thereof.

Section 2.08 Conditions for Authentication of Series 2016 Bonds. The Trustee shall not authenticate and deliver the Series 2016 Bonds to be issued and delivered pursuant to the Indenture unless theretofore or simultaneously therewith there shall have been delivered to the Trustee the following other than any items required under (g) below:

(a) Certified copies of the Bond Resolution.

(b) Executed counterparts of the Loan Agreement, this Indenture, the Mortgage, the Guarantees and UCC-1 financing statements executed by the Borrower, as Debtor, and describing as collateral the tangible personal property described in the granting clauses of the Mortgage, and by the Issuer, as Debtor, and describing as collateral all rights of the Issuer under the Loan Agreement to be assigned hereunder to the Trustee (excluding certain rights to indemnity and repayment of expenses, advances and legal fees).

(c) The opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, as Bond Counsel, concerning the validity and legality of the Series 2016 Bonds and exclusion of interest on the Series 2016 Bonds from gross income, for purposes of federal income taxation.

(d) A Certificate of the Authorized Borrower Representative to the effect that the Borrower has deposited in the Project Fund or has on hand such amounts of moneys as are then needed to pay all Project Costs, in excess of the proceeds of the Series 2016 Bonds to be deposited in the Project Fund pursuant to Section 4.01 hereof.

(e) An order for authentication and registration of the Series 2016 Bonds, signed by the City Manager or other officer of the Issuer, specifying the aggregate principal amount of the Series 2016 Bonds to be issued, and directing the Trustee to deliver the Series 2016 Bonds described therein to or upon the order of the purchaser upon payment of the purchase price set forth therein.

(f) An endorsement of the Issuer pursuant to Section 148 of the Internal Revenue Code as to absence of arbitrage expectation, which may be based on a certificate or certifications of the Borrower.

(g) Such further certifications, documents and Opinions of Counsel as the Issuer or Bond Counsel may require.

Section 2.09 Authorization of Additional Bonds. In addition to the Series 2016 Bonds, the Issuer may in its sole and absolute discretion, upon request of the Borrower, issue, and the Trustee shall authenticate and deliver, Additional Bonds to provide financing for improvements or additions to the Project Facilities or, subject to applicable law, to refund any Bonds then outstanding and, in case of an advance refunding, the interest thereon to maturity or a specified redemption date and to fund Additional Parity Indebtedness as permitted in Section 6.11 of the Loan Agreement. Any such Additional Bonds shall be authorized by resolution of the Issuer and described in a supplemental indenture executed by the Issuer and the Trustee and, when so issued, authorized and described, shall be secured by this Indenture and the Trust Estate on a parity with the Bonds then outstanding under this Indenture; provided, that no such Additional Bonds shall be issued under the Indenture or secured by the Trust Estate on a parity with the outstanding Bonds unless the conditions set forth in Section 6.11 of the Loan Agreement are satisfied.

The Trustee shall not authenticate any such Additional Bonds until there is also delivered to the Trustee a Certified Resolution of the Issuer authorizing the Additional Bonds, executed counterparts of amendments to the Loan Agreement providing for the additional payments and related provisions to provide for the payment of the Additional Bonds, and such amendments and further documents of the kind not described in this Section but set forth in a Certificate of the Issuer.

Section 2.10 Book-Entry System. Unless otherwise provided by a Supplemental Indenture to be entered into in connection with the issuance of Additional Bonds of any series, all Bonds shall be initially issued in Book-Entry Form, by using and delivering to the Depository one typed Bond for each stated maturity of the Bonds, registered to CEDE & Co. While the Bonds remain issued in Book-Entry Form, the provisions of this Indenture which conflict with the operation of the Book-Entry System shall not apply, and the provisions of the Letter of Representations and related requirements of the Depository relating to such Book-Entry System and the following provisions shall prevail.

(a) Registration, Recording and Transfer of Ownership. The Depository (or its nominees) shall be and remain recorded on the registration records maintained by the Trustee as the Holder of all Bonds that are in Book-Entry Form. No transfer of any Bond in Book-Entry Form shall be made, except from one Depository to another (or its nominee) or except to terminate the Book-Entry Form. All Bonds of each stated maturity in Book-Entry Form shall be issued and remain in a single Bond certificate registered in the name of the Depository (or its nominee); provided, however, that upon termination of the Book-Entry System with respect to the Bonds, either at the direction of the Depository or as directed by written notice from the Issuer to the Borrower, the Trustee and the Depository, the Issuer shall, upon delivery of all Bonds of that series from the Depository, promptly execute, and the Trustee shall thereupon authenticate and deliver, Bonds of that series to all persons who were Beneficial Owners thereof immediately prior to such termination; and the Trustee shall register such Beneficial Owners as Holders of the applicable Bonds. The Trustee, as bond registrar and paying agent, shall maintain accurate books and records of the principal balance, if any, of each such Outstanding Bond in Book-Entry Form, which shall be conclusive for all purposes whatsoever. Upon the authentication of any new Bond in Book-Entry Form in exchange for a previous Bond, the Trustee shall designate thereon the principal balance remaining on such Bond according to the Trustee's books and records.

Neither the Trustee nor any of its agents shall have any responsibility or liability for any actions taken or not taken by the Depository.

(b) Notices. The Issuer and the Trustee shall each give notices to the Depository of such matters and at such times as are required by the Letter of Representations and related requirements of the Depository. All notices of any nature required or permitted hereunder to be delivered to a Holder of a Bond in Book-Entry Form shall be transmitted to Beneficial Owners of such Bonds at such times and in such manner as shall be determined by the Depository and the Participants in accordance with applicable procedures of the Book-Entry System.

(c) Payments. All payments of principal of, premium, if any, and interest on Bonds while in Book-Entry Form shall be paid to the Depository in accordance with applicable procedures of the Book-Entry System in same day funds by wire transfer. All payments of principal of, premium, if any, and interest on any Bonds in Book-Entry Form due Beneficial Owners shall be made at such times and in such manner as shall be determined by the Depository and the Participants in accordance with applicable procedures of the Book-Entry System.

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ARTICLE III

REDEMPTION OF BONDS

Section 3.01 Redemption of Series 2016 Bonds. The Series 2016 Bonds shall be subject to redemption prior to maturity only as follows:

(a) The Series 2016 Bonds maturing after October 1, 2021, are subject to optional redemption prior to the stated maturities thereof, at the direction of the Borrower, in whole or in part, and if in part in integral multiples of \$5,000 and in such order of maturities as shall be selected by the Borrower and by random selection within a maturity, on October 1, 2021, and any business day thereafter at a price equal to the principal amount of Bonds to be redeemed, plus accrued interest, plus a premium (expressed as a percentage of the principal amount of Bonds to be redeemed), as follows:

<u>Redemption Date</u>	<u>Premium</u>
October 1, 2021, to and including September 30, 2022	1.00%

and thereafter without premium.

(b) The Series 2016 Bonds are subject to mandatory redemption in the event a Determination of Taxability shall be made. In such event, each of the outstanding Series 2016 Bonds shall be subject to mandatory redemption and shall be redeemed on the first interest payment date occurring at least 45 days after notice to the Borrower of the Determination of Taxability, and the Borrower shall cause notice thereof to be given to the Holders of the Bonds, as more fully provided in Section 4.08 of the Loan Agreement, at a redemption price equal to par, plus accrued interest, plus a premium equal to 3.00% of the principal amount of the Bonds to be redeemed.

(c) The Series 2016 Bonds maturing in the years 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032 and 2033, are subject to mandatory redemption through operation of the Sinking Fund provided for in Section 3.08 hereof, at a redemption price equal to par plus accrued interest, such Bonds to be selected by random selection by the Trustee, on April 1 and October 1 of the years and in the amounts, respectively set forth in Section 3.08.

(d) The Series 2016 Bonds are subject to extraordinary redemption on any business day, at the direction of the Borrower, in whole or in part, and if in part in integral multiples of \$5,000 and in such order of maturities as shall be selected by the Borrower and by random selection within a maturity, at a redemption price equal to par, plus accrued interest to the redemption date, upon the happening of certain events of damage to or destruction or condemnation of the Project Facilities or change of law rendering the Loan Agreement unenforceable or impossible of performance, all as more fully provided in Section 4.07 of the Loan Agreement.

Notice of any such redemption of Bonds shall be published and mailed in the form provided by Section 3.02 and in the manner and to the extent required by Section 3.03. On or prior to the date fixed for redemption, funds shall be deposited with the Trustee sufficient to pay the Bonds called and accrued interest thereon, plus any premium required. Upon the happening of the above conditions, any Bonds thus called shall not bear interest after the call date, and except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Section 3.02 Written Notice to Trustee. If the Bonds are to be redeemed pursuant to Section 3.01 hereof, and written notice of an election to exercise an option to redeem Bonds under Section 4.07 of the Loan Agreement or written notice of a Determination of Taxability under Section 4.08 of the Loan Agreement shall have been given to the Trustee by the Borrower, the Trustee shall prepare a notice in the name of the Issuer or in its own name describing the outstanding Bonds to be redeemed, the date of redemption, and the redemption price. If the Borrower shall fail to give notice of redemption under Section 4.08(c) of the Loan Agreement, the Trustee is authorized to give notice of redemption, as provided by Section 4.08(c) of the Loan Agreement.

Section 3.03 Mailing and Publication of Notice. Notice of redemption (including when only a portion of the Bonds is to be redeemed, the series and numbers of such Bonds or the maturities thereof) shall be mailed by the Trustee, not less than thirty days nor more than sixty days before the redemption date, by first class mail, to the registered owners of any Bonds which are to be redeemed, at their last addresses appearing upon the registration records maintained by the Trustee hereunder. A notice of redemption may provide that the redemption will be conditioned on the receipt by the Trustee of sufficient funds for the redemption on or prior to the redemption date. If required by the Act or other applicable law, a similar notice shall also be published in such manner as may be required by the Act or other applicable law. No notice of redemption need be given if the Holders of all Bonds called for redemption waive notice thereof in writing and such waiver is filed with the Trustee.

Section 3.04 Deposit for Redemption. On or prior to the redemption date, there shall be deposited with the Trustee cash in an aggregate amount which shall be sufficient to pay the redemption price of the Bonds to be redeemed, and interest thereon to the redemption date; and there shall be deposited, or arrangements shall be made with the Trustee to deposit, with the Trustee a sum sufficient to pay the proper expenses and charges of the Trustee in connection with such redemption. Upon deposit with the Trustee of the aggregate amount of such redemption price and interest, such moneys shall be set aside by the Trustee and held by it for the account of the respective Holders of the Bonds being redeemed.

Section 3.05 Payment of Redeemed Bonds. After notice of redemption shall have been given as provided in Section 3.03, the Bonds specified in such notice shall become due and payable on the redemption date. Payment of the redemption price and interest shall be made to or upon order of each registered owner, upon the surrender of the Bonds. Any installment of interest maturing on or prior to the redemption date shall be payable to the registered owners of Bonds on the relevant Record Dates according to the terms of such Bonds and the provisions of

Section 2.05 hereof and the notice of redemption herein provided for may so state. If redemption moneys are available for the payment of all of the Bonds called for redemption on the redemption date, the Bonds so called shall cease to draw interest after the redemption date, and such Bonds shall not be deemed to be outstanding hereunder for any purpose, except that the Holders thereof, on presentation, as herein provided, shall be entitled to receive payment of the redemption price and interest accrued thereon to the redemption date from the moneys set aside by the Trustee as aforesaid.

Section 3.06 Cancellation of Redeemed Bonds. All Bonds so redeemed shall forthwith be cancelled and destroyed by the Trustee in accordance with the Trustee's cancellation policies; and no further Bonds shall be executed or authenticated or issued hereunder in exchange or substitution therefor.

Section 3.07 Partial Redemption of Bonds. If less than all of the Bonds of a particular maturity at the time outstanding are to be called for prior redemption, the particular Bonds or portions thereof of such maturity to be redeemed shall be selected by random selection, except as otherwise provided herein, by the Trustee in such manner as the Trustee, in its discretion, may determine. The Trustee shall call for redemption in accordance with the foregoing provisions as many Bonds or portions thereof as will, as nearly as practicable, exhaust the moneys available therefor. Particular Bonds or portions thereof shall be redeemed only in integral multiples of principal amount of \$5,000.

In the case of Bonds of denominations greater than \$5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all of the \$5,000 units of principal amount represented by any such fully registered Bond is to be called for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee (1) for payment of the redemption price (including the redemption premium, if any, and interest to the date fixed for redemption) of the \$5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such fully registered Bond shall be issued to the registered owner thereof, without charge therefor. If the owner of any such fully registered Bond of a denomination greater than \$5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the \$5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such \$5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for the payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said \$5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of this Indenture, the Loan Agreement or the Mortgage to the extent of the portion of its principal amount (and accrued interest thereon to the date fixed for redemption

and applicable premium, if any) represented by such \$5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Section 3.08 Sinking Fund. (a) There is hereby established and the Trustee shall during the term hereof, to the extent required hereby, maintain, so long as any of the Series 2016 Bonds shall be outstanding, a fund (which shall be maintained as a separate account within the Bond Fund) to be designated "City of Milaca Refunding Revenue Bonds (Grandview Christian Home Project), Series 2016 Sinking Fund" (herein called the "Sinking Fund"). For the retirement of the Series 2016 Bonds, the Borrower has covenanted in the Loan Agreement to deposit in the Sinking Fund, as required, an amount sufficient to redeem on October 1 of the years 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032 and 2033, the following principal amounts of the Series 2016 Bonds indicated below, on the dates specified (each such date being herein called a "Sinking Fund redemption date") at the principal amount thereof plus accrued interest to the redemption date:

Bonds Due October 1, 2017

<u>Date</u>	<u>Amount</u>
April 1, 2017	
October 1, 2017 (Maturity)	

Bonds Due October 1, 2018

<u>Date</u>	<u>Amount</u>
April 1, 2018	
October 1, 2018 (Maturity)	

Bonds Due October 1, 2019

<u>Date</u>	<u>Amount</u>
April 1, 2019	
October 1, 2019 (Maturity)	

Bonds Due October 1, 2020

<u>Date</u>	<u>Amount</u>
April 1, 2020	
October 1, 2020 (Maturity)	

Bonds Due October 1, 2021

<u>Date</u>	<u>Amount</u>
April 1, 2021	
October 1, 2021 (Maturity)	

Bonds Due October 1, 2022

<u>Date</u>	<u>Amount</u>
April 1, 2022	
October 1, 2022 (Maturity)	

Bonds Due October 1, 2023

<u>Date</u>	<u>Amount</u>
April 1, 2023	
October 1, 2023 (Maturity)	

Bonds Due October 1, 2024

<u>Date</u>	<u>Amount</u>
April 1, 2024	
October 1, 2024 (Maturity)	

Bonds Due October 1, 2025

<u>Date</u>	<u>Amount</u>
April 1, 2025	
October 1, 2025 (Maturity)	

Bonds Due October 1, 2026

<u>Date</u>	<u>Amount</u>
April 1, 2026	
October 1, 2026 (Maturity)	

Bonds Due October 1, 2027

<u>Date</u>	<u>Amount</u>
April 1, 2027	
October 1, 2027 (Maturity)	

Bonds Due October 1, 2028

<u>Date</u>	<u>Amount</u>
April 1, 2028	
October 1, 2028 (Maturity)	

Bonds Due October 1, 2029

<u>Date</u>	<u>Amount</u>
April 1, 2029	
October 1, 2029 (Maturity)	

Bonds Due October 1, 2030

<u>Date</u>	<u>Amount</u>
April 1, 2030	
October 1, 2030 (Maturity)	

Bonds Due October 1, 2031

<u>Date</u>	<u>Amount</u>
April 1, 2031	
October 1, 2031 (Maturity)	

Bonds Due October 1, 2032

<u>Date</u>	<u>Amount</u>
April 1, 2032	
October 1, 2032 (Maturity)	

Bonds Due October 1, 2033

<u>Date</u>	<u>Amount</u>
April 1, 2033	
October 1, 2033 (Maturity)	

(b) From such cash Sinking Fund payments, to the maximum extent possible, the Trustee shall redeem at 100% of the principal amount thereof plus accrued interest to the Sinking Fund redemption dates, as provided in Section 3.08(a), the Series 2016 Bonds. At its option, to be exercised on or before the forty-fifth day next preceding any such Sinking Fund redemption dates, the Borrower may (i) deliver to the Trustee for cancellation any such Series 2016 Bonds in any aggregate principal amount desired, or (ii) receive a credit in respect of such Sinking Fund redemption obligation for any such Series 2016 Bonds which prior to said date have been purchased or redeemed (otherwise than at the stated maturity thereof or through the operation of such Sinking Fund) and cancelled by the Trustee and not theretofore applied as a credit against such Sinking Fund redemption obligation. Each such Series 2016 Bond so delivered or previously purchased or redeemed shall be credited by the Trustee at 100% of the principal amount thereof on the obligation of the Borrower on such Sinking Fund redemption dates and any excess amount shall be credited on future Sinking Fund redemption obligations in chronological order, and the principal amount of such Series 2016 Bonds to be redeemed by operation of the Sinking Fund shall be accordingly reduced. The Borrower shall on or before the forty-fifth day next preceding each such Sinking Fund redemption date furnish the Trustee with a Certificate of the Authorized Borrower Representative indicating whether or not and to what

extent the provisions of clauses (i) and (ii) of this Section are to be availed of with respect to such Sinking Fund payment.

Notwithstanding any other provision hereof or of the Loan Agreement, the Sinking Fund shall be established and maintained by the Trustee as a separate subaccount of the Bond Fund.

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ARTICLE IV

BOND PROCEEDS; PROJECT FUND

Section 4.01 Deposit of Series 2016 Bond Proceeds. The Issuer shall deposit, or shall direct the Original Purchaser of the Series 2016 Bonds to deposit, with the Trustee all of the net proceeds of the sale of the Series 2016 Bonds, and the Trustee out of such proceeds shall:

(b) Deposit from proceeds of the Series 2016 Bonds to the credit of the Bond Fund an amount equal to \$-0-, to constitute funded interest; and

(c) Deposit from proceeds of the Series 2016 Bonds to the credit of the Reserve Fund an amount equal to the Reserve Requirement; and

(d) Deposit to the credit of the Project Fund the balance of the proceeds of the Series 2016 Bonds.

Section 4.02 Establishment of Project Fund. There is hereby established a separate fund to be maintained by the Trustee hereunder, and there shall be deposited with the Trustee to the credit of such fund (herein called the "Project Fund"), the proceeds of the Series 2016 Bonds, except as otherwise provided herein. The Issuer has no obligation hereunder or under the Act to deposit any moneys in the Project Fund or apply moneys to Project Costs except proceeds of Bonds or funds made available therefor by the Borrower.

Within the Project Fund, the Trustee shall establish two separate accounts, the Refunding Account and the Cost of Issuance Account.

On the Closing Date, proceeds of the Series 2016 Bonds in the amount of \$_____ shall be deposited by the Trustee into the Refunding Account. The Trustee shall immediately transfer from the Refunding Account to the Escrow Agent under the Escrow Agreement such proceeds of the Series 2016 Bonds, for deposit in the escrow account established under the Escrow Agreement.

On the Closing Date, proceeds of the Series 2016 Bonds in the amount of \$_____ shall be deposited by the Trustee into the Cost of Issuance Account. In addition, the Trustee shall also deposit moneys transmitted by the Borrower not constituting proceeds of the Series 2016 Bonds, in the amount of \$_____, into the Cost of Issuance Account. All funds held in the Cost of Issuance Account shall be applied to the payment or reimbursement of costs of issuance of the Series 2016 Bonds, as further provided in Section 4.05 hereof.

The moneys in the Project Fund shall be held in trust by the Trustee and applied to the refunding of the Refunded Bonds and the payment of costs of issuance, in accordance with and subject to the provisions of this Article, but shall nonetheless be subject to a lien and charge in favor of the Holders of the Bonds issued and outstanding under this Indenture.

Section 4.03 Project Costs Defined. For the purposes of this Indenture, the Project Costs shall include, without intending thereby to limit or restrict any proper definition of such cost under any applicable laws and generally accepted accounting principles, the following:

(a) The outstanding principal amount of the Refunded Bonds and interest accrued thereon to and until the Call Date;

(b) Costs of issuance of the Series 2016 Bonds, including title insurance premiums, abstracting and filing fees, legal expenses and fees, initial fees of the Trustee, underwriting commissions and expenses, costs of audits and costs of preparing, offering, selling and issuing the Bonds; and

(c) Any other obligation or expense heretofore or hereafter incurred by the Borrower in connection with the Project defined as and constituting a proper project cost under the Act and approved by the Authorized Borrower Representative.

Section 4.04 [Reserved].

..

Section 4.05 Payments from Cost of Issuance Account. Any moneys on deposit in the Cost of Issuance Account shall be applied solely to the payment or reimbursement of costs of issuance of the Series 2016 Bonds. Amounts on deposit from time to time in the Cost of Issuance Account shall be disbursed by the Trustee at the direction of the Authorized Borrower Representative, in accordance with the provisions of Section 3.03 of the Loan Agreement, based upon a Draw Request signed by the Authorized Borrower Representative substantially in the form attached hereto as Exhibit B.

For purposes of complying with the requirements of this Section, the Trustee may conclusively rely on and shall be protected in acting or refraining from acting upon Draw Requests of the Borrower. The Trustee shall not be bound to make an investigation into the facts or matters stated in any Draw Request. The Trustee shall not be responsible for determining whether funds on hand in the Cost of Issuance Account are sufficient to complete payment of all costs of issuance incurred in connection with the issuance of the Bonds. The Trustee shall not be responsible to collect lien waivers.

ARTICLE V

DISPOSITION OF PLEDGED REVENUES

Section 5.01 Bond Fund. There is hereby established and the Trustee shall maintain hereunder, so long as any of the Bonds are outstanding, a separate fund to be designated "City of Milaca Refunding Revenue Bonds (Grandview Christian Home Project) Bond Fund" (herein called the "Bond Fund") into which the Issuer and Trustee shall make the following deposits:

(a) From the proceeds of issuance of the Series 2016 Bonds, any accrued interest received from the sale of the Series 2016 Bonds, together with an amount equal to \$-0- representing funded interest, which sums shall be used to pay interest due on the Series 2016 Bonds.

(b) After the Series 2016 Bonds have been delivered and on or before the first day of each month thereafter, or as soon thereafter as received from the Borrower, all payments by the Borrower as Loan Repayments under paragraphs (a) and (b) of Section 4.02 of the Loan Agreement required to be deposited into the Bond Fund.

(c) All other moneys received by the Trustee from the Borrower when accompanied by directions of the Borrower that such moneys are to be paid into the Bond Fund or used for purposes for which moneys in the Bond Fund may be used.

(d) All other moneys required to be deposited in the Bond Fund pursuant to any provision of this Indenture or the Loan Agreement.

The moneys and investments in the Bond Fund are irrevocably pledged and shall be used by the Trustee, from time to time, to the extent required:

FIRST: For the payment of principal of, premium (if any) on and interest on the Bonds, due or to become due within one year, as and when such principal, premium and interest shall become due and payable; and

SECOND: To be used, upon direction by the Borrower, to purchase outstanding Bonds at purchase prices not exceeding par plus accrued interest.

Section 5.02 Optional Redemption Fund. There is hereby established and the Trustee shall maintain hereunder, so long as any of the Bonds are outstanding, a separate fund to be designated "City of Milaca Refunding Revenue Bonds (Grandview Christian Home Project) Optional Redemption Fund" (herein called the "Optional Redemption Fund"). There shall be deposited into the Optional Redemption Fund all amounts required to be deposited therein pursuant to any provision of the Loan Agreement or this Indenture, and all amounts designated to be deposited therein by the Borrower.

Amounts on deposit to the credit of the Optional Redemption Fund shall be used, first, to make up deficiencies in the Bond Fund and, second, for the redemption of outstanding Bonds at the request or direction of the Borrower pursuant to Article III hereof or, at the request of the Borrower, for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption.

Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Optional Redemption Fund to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code, if the Borrower shall have failed to pay or provide for the payment thereof under Section 4.08(d) of the Loan Agreement.

Section 5.03 Reserve Fund. There is hereby established and the Trustee shall maintain hereunder, so long as any of the Bonds are outstanding, a separate fund to be designated "City of Milaca Refunding Revenue Bonds (Grandview Christian Home Project) Reserve Fund" (herein called the "Reserve Fund"), into which there shall be made the following deposits:

(a) An amount equal to the Reserve Requirement, to be deposited in the Reserve Fund as described in Section 4.01(b) hereof.

(b) After the Series 2016 Bonds have delivered and the Reserve Requirement has been met, the Issuer and Trustee shall deposit into the Reserve Fund all moneys and income of the Trust Estate not deposited or required to be deposited in the Bond Fund or Optional Redemption Fund, including all Loan Repayments pursuant to paragraph (d) of Section 4.02 of the Loan Agreement, in order to maintain the funds and investments on deposit in the Reserve Fund in an amount at least equal to the Reserve Requirement, subject, however, to the further provisions of this Section 5.03.

(c) All other amounts required or permitted to be deposited into the Reserve Fund under the Loan Agreement.

In computing the amount in the Reserve Fund, Qualified Investments shall be valued at face value if purchased at par or at the amortized value if purchased at other than par; provided, however, that such Qualified Investments in the Reserve Fund are required to be valued only on each April 1 and October 1. For purposes of this Section, "amortized value," when used with respect to an obligation purchased at a premium above or at a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (1) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Valuation of any particular date shall include the amount of interest then earned or accrued to such date on any moneys or investments in the Reserve Fund.

Notwithstanding any other provision of this Indenture or the Loan Agreement to the contrary, in the event of a failure by the Borrower to make Loan Repayments in the amounts or at the times required under Section 4.02(a) or (b) of the Loan Agreement, the Trustee shall, subject only to the provisions of Section 5.04 hereof, on or before any interest payment date transfer from the Reserve Fund to the Bond Fund any amount required to restore the deficiency and, so long as the balance remaining to the credit of the Reserve Fund thereafter is not less than \$50,000, such transfer shall not result in an Event of Default under the Indenture or Loan Agreement; provided, however, that such amounts transferred from the Reserve Fund to the Bond Fund are restored to the Reserve Fund by the Borrower making Loan Repayments pursuant to Section 4.02(d) of the Loan Agreement in six equal monthly installments, each such installment being in an amount equal to one-sixth of the amount originally transferred, and the first such installment being due on the first day of the month following such original transfer from the Reserve Fund.

The funds and investments in the Reserve Fund are irrevocably pledged to and shall be used by the Trustee, from time to time, as may be required, for the payment of principal of, premium (if any) on and interest on the Bonds as and when such principal and interest shall become due and payable and, subject only to the provisions of Section 7.05 hereof, for that purpose only; provided, nonetheless, that (i) as provided in Section 4.09 of the Loan Agreement, if investment earnings cause the amount on deposit in the Reserve Fund to exceed the Reserve Requirement, the Trustee shall, not less frequently than semiannually, on or prior to each Interest Payment Date commencing April 1, 2017, transfer the excess to the Bond Fund, and (ii) moneys and investments in the Reserve Fund shall be transferred to the Bond Fund when the moneys and proceeds of investments in the Reserve Fund shall be sufficient (with moneys and proceeds of investments in the Bond Fund) to pay when due the principal of and interest on all outstanding Bonds.

Notwithstanding the foregoing, to the extent the Borrower has not deposited sufficient funds with the Trustee for any required rebate payments the Trustee in accordance with Section 4.08(d) of the Loan Agreement, the Trustee is authorized to use funds and investments in the Reserve Fund to pay the amount of any rebate payment due to the United States in respect of the Bonds under Section 148(f) of the Internal Revenue Code.

Section 5.04 Investment of Funds. Moneys on deposit to the credit of the Project Fund, Bond Fund, Sinking Fund, Reserve Fund, and Optional Redemption Fund shall, upon request by the Authorized Borrower Representative, be invested by the Trustee in, to the extent authorized by the Act (i) direct obligations of or obligations fully guaranteed by the United States of America, (ii) deposits in interest-bearing time deposits or certificates of deposit or similar arrangements, including repurchase agreements, secured by obligations described in (i) hereof which are in the possession of the Trustee or its agent and with respect to which the Trustee has a valid and perfected security interest free and clear of prior claims of third parties; (iii) obligations issued by any federal agency to the extent that such obligations are either guaranteed by or are direct obligations of the United States of America (other than as provided in (i) hereof) and bonds, debentures, participation certificates or notes issued by FNMA, GNMA or Freddie Mac; (iv) deposits in interest-bearing time deposits or certificates of deposit or similar arrangements

(without regard to whether such deposits or arrangements are insured by the Federal Deposit Insurance Corporation) of any lead bank of a bank holding company which lead bank has a short-term rating, at the time of purchase, of at least A-1 or prime-one, or their equivalents, from Standard & Poor's Rating Services or Moody's Investors Services, Inc., or their successors, or certificates of deposit of any national bank if the amount thereof is fully insured by the FDIC, (v) fixed income securities of any State of the United States of America or any agency or political subdivision thereof; (vi) fixed income securities of any corporation organized under the laws of any State of the United States of America or the District of Columbia and which are rated, at the time of purchase, not less than AA or Aa, or their equivalents, by Standard & Poor's Rating Division or Moody's Investors Services, Inc., or their successors; (vi) commercial paper rated, at the time of purchase, not less than A-1 or prime-one, or their equivalents, by Standard & Poor's Rating Division or Moody's Investors Services, Inc., or their successors, and issued by an issuer whose long-term obligations are rated, at the time of purchase, at least A, or its equivalent, by Standard & Poor's Rating Division or Moody's Investors Services, Inc., or their successors; (vii) a common trust fund or similar fund maintained by the Trustee exclusively for the collective investment and reinvestment of moneys contributed thereto by the Trustee in its capacity as trustee and whose only investments are in securities described herein; (viii) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and whose only assets consist of obligations described in (i) or (iii) above; (ix) money market mutual funds invested solely in obligations listed in paragraphs (i) or (iii) above including funds offered or managed by the Trustee or its affiliates; and (x) an investment agreement (whether or not collateralized) issued by any financial institution maintaining, at the time of execution, at least an AA or Aa rating, or their equivalents, from Standard & Poor's Rating Division or Moody's Investors Services, Inc., or their successors ("Qualified Investments"). The Trustee shall be fully protected in relying on the written investment direction of the Borrower as to the legality and the suitability of such directed investments. The Trustee shall have no responsibility to determine that any such directed investment is a Qualified Investment and shall have no duty to monitor the ratings of Qualified Investments after the initial purchase of such Qualified Investments or any reinvestment therein. If Borrower fails to provide the Trustee with written investment directions the Trustee shall invest the amounts in the Project Fund, the Bond Fund, the Sinking Fund, the Reserve Fund and the Optional Redemption Fund, as applicable, in accordance with the standing instruction provided to the Trustee on the Closing Date. Investments permitted under this Section may be purchased from the Trustee or from any of its affiliates. Investments so made shall be deemed at all times to be a part of the respective Fund, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such Fund. Except as may otherwise be provided in Section 4.09 of the Loan Agreement and Section 5.03 hereof, any interest accruing on and any profit realized from such investment shall be credited to the respective Fund. Any investments purchased with amounts on deposit in any Fund under this Indenture may be exchanged for cash or investments of equal value credited to any other Fund. The Trustee shall redeem or sell, at fair market value, any investments so made, whenever it shall be necessary to do so in order to provide moneys to meet any payment from the respective Fund. Neither the Trustee nor the Issuer shall be liable for any loss resulting from any such investment, nor from failure to preserve rights against endorsers or

other prior parties to instruments evidencing any such investment. Investment of funds shall be limited as to amount and yield of investment in such manner that no part of the outstanding Bonds shall be deemed "arbitrage bonds" under Section 148 of the Internal Revenue Code and regulations thereunder. The Trustee has no duty or obligation to monitor the yield on any investments it is directed to make.

The Issuer and the Borrower (by its execution of the Loan Agreement), respectively, acknowledge that regulations of the Comptroller of the Currency grant the Borrower the right to receive brokerage confirmations of the security transactions as they occur. The Issuer and the Borrower specifically waive such notification to the extent permitted by law and will receive periodic cash transaction statements which will detail all investment transactions.

The Trustee will furnish the Borrower periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee may invest in Authorized Investments through its own trust department or through or from any of its affiliates and Trust Money may be deposited in time deposits, or certificates of deposit issued by, the Trustee or any of its affiliates.

If the Borrower does not file a written direction of the Authorized Borrower Representative with the Trustee with respect to the investment of the money held under this Indenture, the Trustee shall invest to the extent practicable in investments described in clause (h) above of the definition of the term "Qualified Investments"; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction of the Authorized Borrower Representative specifying a specific money market fund and, if no such written direction of the Authorized Borrower Representative is so received, the Trustee shall hold such moneys uninvested.

The Trustee shall have no liability whatsoever for any loss, fee, tax or other charge incurred in connection with any investment, reinvestment, sale or liquidation of an investment hereunder. The Trustee shall be entitled to rely on any written direction of the Representative of the Borrower as to the suitability and legality of the directed investments. The Trustee shall have no responsibility whatsoever to determine whether any investments made pursuant to this agreement are or continue to be qualified investments. In no event shall the Trustee be deemed an investment manager or adviser in respect of any selection of investments hereunder. In the event of a loss on the sale of such investments, the Trustee shall have no responsibility in respect of such loss except that the Trustee shall notify the Representative of the Borrower of the amount of such loss and the issuer shall promptly pay such amount to the Trustee to be credited as part of the monies originally invested.

Section 5.05 Compliance with Arbitrage Restrictions; Rebate Requirements. The Issuer and the Trustee hereby acknowledge and confirm that the maintenance of the tax-exempt status of interest on the Bonds is dependent, among other things, on compliance with the arbitrage requirements set forth in Section 148 of the Internal Revenue Code and regulations thereunder. In order to confirm and carry out in part such understanding, the Borrower has

agreed in the Loan Agreement, inter alia, to make or cause to be made such periodic computations and make such rebate payments to the United States as and when required by Section 148(f) of the Code and regulations thereunder. Specifically, the Borrower shall cause to be computed as of each computation date all rebatable arbitrage earned with respect to nonpurpose investments made with gross proceeds of the Bonds. Payment of all rebate payments required to be made to the United States under Section 4.08(d) of the Loan Agreement and under this Section shall be made from Loan Repayments made by the Borrower under Section 4.08(d) of the Loan Agreement or from other available funds held under this Indenture. With respect to each Installment Computation Date, such required rebate payments shall be made in the minimum amounts required by said Section 148(f) and regulations thereunder not later than 60 days after each such Installment Computation Date. Not later than 60 days after the Final Computation Date, there shall be paid from moneys provided by or on behalf of the Borrower 100 percent of the aggregate amount described above not theretofore paid to the United States. In construing this Section 5.05, all terms used in this Section shall have the meanings provided in Section 148 (f) of the Internal Revenue Code and regulations thereunder. Notwithstanding any other provision of this Section 5.05, any requirement imposed hereunder may be deemed inapplicable and of no force or effect if an opinion of Bond Counsel is rendered to the Trustee to the effect that the failure to impose such requirement will not adversely affect the tax-exempt status of interest on the Bonds.

In order to comply with the provisions of this Section 5.05 or Section 4.08(d) of the Loan Agreement, the Trustee is hereby authorized to obtain such opinions of Bond Counsel, Opinions of Counsel, reports of accountants and Certificates of the Borrower as may be necessary for the purpose and any expenses thereof shall be borne by the Borrower. The Trustee is also authorized to apply amounts credited to the Optional Redemption Fund or Reserve Fund to the payment of any rebate amount then owing, as further provided in Sections 5.02 and 5.03 hereof, and to establish such other fund or account hereunder as it may deem necessary or desirable in order to maintain funds for the purpose of making any payment required under this Section 5.05.

The Trustee shall not be responsible for any determination or calculation concerning arbitrage rebate with respect to the Bonds, or for determining whether the yield on any investments made in accordance with the Indenture would cause, or whether any other facts exist which would cause, any of the Bonds to become arbitrage bonds under Section 148 of the Code.

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ARTICLE VI

PARTICULAR COVENANTS OF THE ISSUER

The Issuer covenants and agrees, so long as any Bonds shall be outstanding and subject to the limitations on its obligations herein set forth, that:

Section 6.01 Payment of Bonds. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and the Bond Resolution and in each and every Bond executed, authenticated and delivered hereunder; will pay, from Loan Repayments by the Borrower and other amounts received or held by the Trustee hereunder, the principal of, premium (if any) on and interest on every Bond issued hereunder on the dates, at the places and in the manner prescribed in such Bonds in any coin or currency which, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts; and will cause such amounts received to be deposited with the Trustee prior to the due date of each installment of principal and interest and prior to the maturity of any Bond in amounts sufficient to pay such installment or Bond to the end that the Trustee may cause to be placed in any other bank of payment specified herein and in the Bonds, on time, money required for payment of principal, premium and interest; provided, however, that the principal of and interest on any Bond is not and shall not be deemed to represent a debt or pledge the faith or credit of the Issuer or grant to the Holder of any Bond any right to have the Issuer levy any taxes or appropriate any funds to the payment of principal of or interest on the Bonds, such payment to be made solely and only out of the moneys received pursuant to the Loan Agreement, and the funds and accounts established and maintained with the Trustee pursuant to the requirements of this Indenture and appropriated to the payment of the Bonds by the Indenture.

Section 6.02 Authorized Issuer Representative. The Issuer hereby authorizes the Authorized Issuer Representative to take any and all actions on behalf of the Issuer in connection with the Bonds as may be necessary or desirable over the term of the Bonds.

Section 6.03 Authority of the Issuer. The Issuer is authorized, pursuant to the Constitution and laws of the State of Minnesota to issue the Bonds, to loan the proceeds thereof to the Borrower, to execute this Indenture and assign and pledge to the Trustee the Trust Estate, including the Loan Repayments, and to make the covenants as herein provided. All necessary action and proceedings on its part to be taken for the execution and delivery of this Indenture have been duly and effectively taken.

Section 6.04 Concerning the Loan Agreement. The Issuer will cooperate or permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Loan Agreement if such action shall, in the Trustee's discretion, be deemed to be in the best interest of the Issuer or the Bondholders.

Section 6.05 To Observe All Covenants and Terms—Limitations on Issuer's Obligations The Issuer will faithfully observe and perform all the conditions, covenants and

requirements hereof. Under the Act, and it is expressly agreed that, the Issuer has no obligation to levy taxes for, or make any advance or payment or incur any expense or liability from its general funds in performing, any of the conditions, covenants or requirements of the Bonds or this Indenture or from any funds other than revenues and income received pursuant to the Loan Agreement or moneys in the funds and accounts provided for herein.

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ARTICLE VII

REMEDIES ON DEFAULT

Section 7.01 Events of Default. Each of the following events is hereby defined as, and is declared to be and to constitute, an "Event of Default":

(a) If payment of the principal of any of the Bonds, or any premium thereon, when the same shall become due and payable, whether at maturity or proceedings for redemption, declaration or otherwise, shall not be made; or

(b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or

(c) If there should be a default in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Bonds or in this Indenture, or in any indenture supplemental hereto, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Borrower by the Trustee, or if such notice is given to the Trustee and the Borrower by the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding; or

(d) If any event of default as that term is defined in the Loan Agreement shall occur and be continuing; or

(e) If any event of default shall occur and be continuing under the Bethel Bonds Loan Agreement or the Bethel Bonds Indenture.

Section 7.02 Acceleration of Maturity. Upon the occurrence of an Event of Default, the Trustee may, and upon written request of the Holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding hereunder shall, by notice in writing delivered to the Issuer declare the principal of all Bonds hereby secured then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding hereunder, by written notice to the Issuer and to the Trustee, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding hereunder and the reasonable expenses and charges of the Trustee, its agent and attorneys, and all other indebtedness secured hereby (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

Section 7.03 Enforcement of Covenants and Conditions. In any case of Default, the Trustee, anything herein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however, to the provisions of Section 8.06 hereof), may take such action or actions for the enforcement of its rights and the rights of the Bondholders and the rights of the Issuer under the Loan Agreement as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care.

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to such payment of the funds, revenues and income appropriated thereto by this Indenture and by the Bonds, to enforce rights of the Issuer under the Loan Agreement, to foreclose the Mortgage and any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Section 7.04 Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Holders of Bonds under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, issues, payments and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 7.05 Application of Moneys. All moneys held hereunder or received by the Trustee pursuant to any right given or action taken under the provisions of this Indenture, the Loan Agreement or the Mortgage shall, for purposes of this Article VII, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, fees, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund, and all moneys in the Bond Fund and in any other fund or account then maintained under this Indenture shall be applied, as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Trustee and the Issuer have been paid, any balance remaining shall be paid to the persons entitled to receive the same; if no other person shall be entitled thereto, then the balance shall be paid to the Borrower as its interests may appear.

Section 7.06 Right of Trustee to Act Without Possession of Bonds. All rights of action (including the right to file proof of claim) under this Indenture, the Loan Agreement or the Mortgage, or under any of the Bonds, may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Holders of the Bonds hereby

secured, and any recovery of judgment shall be for the equal benefit of the Holders of the outstanding Bonds.

Section 7.07 Power of Majority of Bondholders. Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of Bonds outstanding hereunder shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken under this Indenture, the Loan Agreement and the Mortgage; provided that such direction shall not be otherwise than in accordance with the provisions of law and that the Trustee shall be indemnified as provided in Section 8.06.

Section 7.08 Limitation on Suits by Bondholders. No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture, or for the execution of any trust hereof or for any other remedy hereunder, unless a Default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such Default shall have become an Event of Default and the Holders of twenty-five per centum (25%) in aggregate principal amount of Bonds outstanding hereunder shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided hereinafter; and such notification, request and offer of indemnity are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for enforcement or for any other remedy hereunder; it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of this Indenture by his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Holders of all Bonds outstanding hereunder. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder, which is absolute and unconditional, to enforce and bring suit for the payment of the principal of and interest on any Bond at and after the maturity thereof or the obligations of the Issuer to pay the principal of and interest on each of the Bonds issued hereunder to the respective Holders thereof at the time and place in said Bonds expressed, in accordance with the terms of the Bonds.

Section 7.09 Waiver by Bondholders. The Trustee, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding hereunder, shall waive any Event of Default hereunder and its consequences, except an Event of Default in the payment of the principal of the Bonds at the date of maturity specified therein; provided, however, that an Event of Default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any such waiver, the Issuer, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights hereunder respectively. No such

waiver shall extend to any subsequent or other Default or any Event of Default or impair any right consequent thereon.

Section 7.10 Remedies Cumulative, Delay Not To Constitute Waiver. No remedy by the terms of this Indenture, the Loan Agreement, the Lease Assignment or the Mortgage conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 7.11 Restoration of Rights Upon Discontinuance of Proceedings. In case the Trustee or Bondholders shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or Bondholders, then and in every such case the Issuer, the Borrower, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee or Bondholders shall continue as if no such proceedings had been taken.

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ARTICLE VIII

CONCERNING THE TRUSTEE

Section 8.01 Acceptance of Trust and Prudent Performance Thereof. The Trustee, prior to the occurrence of an Event of Default and after the curing of all such Events of Default as may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall during the existence of any such Event of Default (which has not been cured) exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee shall not be required to take notice or be deemed to have notice of any Default or Event of Default hereunder except Default in the deposits or payments specified unless a Responsible Officer of the Trustee has actual knowledge or shall be specifically notified in writing of such Default or Event of Default by the Borrower, by the Issuer or by the Holders of at least twenty-five per centum (25%) in aggregate principal amount of Bonds outstanding hereunder, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume that there is no Default or Event of Default except as aforesaid.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(a) prior to such an Event of Default hereunder, and after the curing of all such Events of Default which may have occurred:

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and to the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture; and

(b) at all times, regardless of whether or not any such Event of Default shall exist:

(1) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of all the Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties 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.

Section 8.02 Trustee May Rely Upon Certain Documents and Opinions. Except as otherwise provided in Section 8.01,

(a) the Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, election, order, certification or demand of the Issuer or the Borrower shall be sufficiently evidenced by an instrument signed by an Authorized Issuer Representative or an Authorized Borrower Representative, as the case may be (unless otherwise in this Indenture specifically prescribed), and any resolution of the Issuer may be evidenced to the Trustee by a Certified Resolution;

(c) the Trustee may consult with counsel (who may be counsel for the Issuer or the Borrower) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel; and

(d) whenever, in the administration of the trusts of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence, willful misconduct, or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Issuer and such Certificate of the Issuer shall, in the absence of negligence, willful misconduct, or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof.

(e) the Trustee shall have the right to accept and act upon instructions or directions pursuant to this Indenture sent in the form of a manually signed document by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the issuer shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions and containing specimen signatures of such designated persons, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Issuer or Borrower elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the trustee's reliance upon and compliance with such instructions notwithstanding that such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer and the Borrower (by its execution of the Loan Agreement) agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the trustee, including, without limitation, the risk of the trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 8.03 Trustee Not Responsible for Indenture Statements, Validity. The Trustee shall not be responsible for any recital or statement herein, or in the Bonds (except in respect of the Certificate of the Trustee endorsed on Bonds), or for the validity of the execution by the Issuer of this Indenture or the validity or execution of the Loan Agreement, the Mortgage or the Bond Resolution or of any supplemental instrument, or for the sufficiency of the security of the Bonds issued hereunder or intended to be secured hereby, or for the value or title of any of the Trust Estate, or otherwise as to the maintenance of the security hereof; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the Issuer or the Borrower except as herein set forth, but the Trustee may require of the Issuer and the Borrower full information and advice as to the performance of the covenants, conditions and agreements aforesaid and of the condition of the physical property included in the Trust Estate. The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder.

Section 8.04 Limits on Duties and Liabilities of Trustee. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee and the Trustee shall be answerable only for its own negligence or willful misconduct. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

Section 8.05 Money Held in Trust. Money held by the Trustee hereunder is held in trust but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Issuer or the Borrower.

Section 8.06 Obligation of Trustee. The Trustee shall be under no obligation to institute any suit, or to take any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be defendant, or to take any steps in the execution of

the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall have reasonable grounds for believing that repayment of all costs and expenses, outlays and counsel fees and other reasonable disbursements in connection therewith and adequate indemnity against all risk and liability is reasonably assured to it; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee shall be reimbursed for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Borrower shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any of the Bonds outstanding hereunder.

Section 8.07 Notice to Bondholders, etc. The Trustee shall give to the Holders of the Bonds whose names and addresses are known to it written notice of all Events of Default known to the Trustee by virtue of actual knowledge of a Responsible Officer, within sixty (60) days after the occurrence of the Event of Default unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of Events of Default in the payment of principal or interest on any of the Bonds, the Trustee shall be protected in withholding such notice if and so long as its board of directors, an executive committee or trust committee of directors or chief executive officer of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders; and further provided that no such notice shall be given unless and until any Default becomes an Event of Default.

Section 8.08 Intervention in Judicial Proceedings. In any judicial proceeding to which the Issuer or the Borrower is a party and which, in the opinion of the Trustee has a substantial bearing on the interest of owners of Bonds issued hereunder, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the owners of at least twenty-five percent (25%) in aggregate principal amount of Bonds outstanding hereunder and being indemnified to the satisfaction of the Trustee. The rights and obligations of the Trustee under this Section are subject to the approval of the court having jurisdiction in the premises.

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other anticipated disbursements, and against all liability except to the extent determined by a court of competent jurisdiction to have been caused solely by its own negligence or willful misconduct. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Trustee shall, to the extent not reimbursed by the Issuer or the Borrower reimburse itself from the monies available under this Indenture for all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements properly incurred in connection therewith and the Trustee shall be entitled to a preference therefor over any Bonds outstanding hereunder.

Section 8.09 Further Investigation by Trustee. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be in full warrant, protection and authority to the Trustee for its actions hereunder; but the Trustee may, in its unrestricted discretion, and shall, if requested in writing so to do by the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of Bonds outstanding hereunder and after being properly indemnified to its satisfaction, cause to be made such independent investigation as it may see fit, and in that event may decline to release any property, or pay over cash, or take other action unless satisfied by such investigation of the truth and accuracy of the matters so investigated. The expense of such investigation shall be paid by the Borrower, or, if paid by the Trustee, shall be repaid to it, with interest at a rate equal to 8.00% per annum by the Borrower or from the Trust Estate.

Section 8.10 Trustee to Retain Financial Records. The Trustee shall retain all financial statements furnished by the Issuer or the Borrower in accordance the Loan Agreement so long as any of the Bonds shall be outstanding.

Section 8.11 Compensation of Trustee. All advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trust hereby created and reasonable compensation to the Trustee for its services in the premises shall be paid by the Borrower. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. If not paid by the Borrower, the Trustee shall have a first lien, with right of payment prior to payment on account of interest or principal of any Bond issued hereunder, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts hereby created and exercise and performance of the powers and duties of the Trustee hereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee).

Section 8.12 Trustee May Hold Bonds. The Trustee and its officers and directors may acquire and own, or become the pledgee of, Bonds and otherwise deal with the Issuer or the Borrower in the same manner and to the same extent and with like effect as though it were not Trustee hereunder.

Section 8.13 Appointment of Trustee. There shall at all times be a trustee hereunder which shall be an association or a corporation organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers, having a combined capital, surplus and undivided profits of at least Ten Million Dollars (\$10,000,000), and subject to supervision or examination by Federal or State authority. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital, surplus and undivided profits of such corporation shall be deemed to be its combined capital as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the

provisions of this Section, and another association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.16 hereof.

Section 8.14 Merger of Trustee. Any corporation or national banking association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its municipal corporate trust business and assets as a whole or substantially as a whole, or any corporation or national banking association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.15 Resignation or Removal of Trustee. The Trustee may resign and be discharged from the trusts created by this Indenture by giving to the Borrower and the Issuer 30 days' notice in writing, and to the Bondholders notice by certified or registered mail at its or his address as set forth on the registration books, of such resignation, such resignation to take effect upon the appointment of a successor trustee, as hereinafter provided.

Any Trustee hereunder may be removed at any time after receipt of 30 days prior notice by an instrument or instruments in writing, appointing a successor to the Trustee so removed, filed with the Trustee and executed by the Holders of a majority in principal amount of the Bonds hereby secured and then outstanding.

If at any time the Trustee resigns and no appointment of a successor trustee is made pursuant hereto within 45 days after the giving of a notice of resignation, the resigning trustee may apply to a court of competent jurisdiction at the expense of the Issuer for the appointment of a successor trustee. The resigning trustee shall not be liable for the actions of the successor trustee.

Section 8.16 Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee hereunder, and a successor may be appointed by the Holders of a majority in principal amount of the said Bonds hereby secured and then outstanding by an instrument or instruments in writing filed with the Trustee and executed by such Bondholders, notification thereof being given to the Issuer, but until a new Trustee shall be appointed by the Bondholders as herein authorized, the Issuer shall, at the written direction of the Company and subject to the provisions hereof, appoint a Trustee to fill such vacancy. After any such appointment by the Issuer, the successor Trustee shall cause notice of such appointment to be mailed within 30 days of such appointment to the registered Holders of the Bonds, but any new Trustee so appointed by the Issuer shall immediately and without further act be superseded by a Trustee appointed in the manner above provided by the

Holders of a majority in principal amount of said Bonds whenever such appointment by said Bondholders shall be made.

If, in a proper case, no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within six months after a vacancy shall have occurred in the office of Trustee, or after the notice of resignation given pursuant to Section 8.15, the Holder of any Bond hereby secured or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Section 8.17 Transfer of Rights and Property to Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer or of its successor execute and deliver an instrument transferring to such successor all the estate, properties, rights, powers and trusts of such predecessor hereunder, and every predecessor trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any assignment, conveyance or instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor Trustee the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor Trustee, any and all such assignments, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all assignments, conveyances and other instruments provided for in this Article shall, at the expense of the Borrower, be forthwith filed and/or recorded by the successor Trustee in each recording office where the Indenture shall have been filed and/or recorded.

Section 8.18 Co-Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust Estate may at the time be located, the Issuer and the Trustee shall have power to appoint one or more persons approved by the Trustee either to act as co-trustee or co-trustees, jointly with the Trustee of all or any part of the Trust Estate, or to act as separate trustee or separate trustees of all or any part of the Trust Estate, and to vest in such person or persons, in such capacity, such title to the Trust Estate or any part thereof, and such rights, powers, duties, trusts or obligations as the Issuer and the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

Upon the request of the Trustee or of the Holders of at least twenty-five per cent (25%) in aggregate principal amount of Bonds outstanding hereunder, the Issuer shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint the co-trustee. If the Issuer shall not have joined in such appointment within fifteen (15) days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

The Issuer shall execute, acknowledge and deliver all such instruments as may be required by any such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts, duties and obligations to such co-trustee or separate trustee.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) The Bonds shall be authenticated and delivered and all rights, powers, trusts, duties and obligations by this Indenture conferred upon the Trustee in respect of the custody, control or management of moneys, papers, securities and other personal property shall be exercised solely by the Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Trustee, or by the Trustee and such co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which even such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(d) Any co-trustee or separate trustee may delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Trustee at any time, by an instrument in writing, with the concurrence of the Issuer, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section and in case an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Issuer. Upon the request of the Trustee, the Issuer shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such title to the Trust Estate or any part thereof, and with such rights, powers, duties and obligations, as shall be specified in the instrument of appointment jointly with the Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms of this Indenture. Every such acceptance shall be filed with the Trustee. Any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Trustee its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the Trust Estate, and all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

Section 8.19 Appointment of Successor or Alternate Paying Agents. In the event the initial Trustee shall also have been appointed paying agent for the Series 2016 Bonds or for any Additional Bonds, a successor Trustee shall become successor paying agent with respect to such Bonds unless otherwise provided in the instrument appointing such successor Trustee. If any paying agent other than the initial Trustee shall resign or become incapable of acting, or shall be removed under a supplemental indenture entered into pursuant to the terms hereof, the Trustee may appoint a successor paying agent which is a bank or association qualified to act as paying agent under the Act and which is willing to accept the office on reasonable and customary terms approved by an Authorized Borrower Representative. The Trustee may appoint successor paying agents. "Paying agent" as used in this Section refers to the bank or association named in the form of Bond provided for the Series 2016 Bonds in the recitals hereof where principal of and interest on Bonds may be paid.

ARTICLE IX

CONCERNING THE BONDHOLDERS

Section 9.01 Execution of Instruments by Bondholders. Any request, direction, consent or other instrument in writing required by this Indenture to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent duly appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments of deeds to be recorded within such jurisdiction, to the effect that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be proved by the registration records kept under the provisions of this Indenture.

Nothing contained in this Article shall be construed as limiting the Trustee to the proof above specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient.

Section 9.02 Waiver of Notice. Any notice or other communication required by this Indenture to be given by delivery, publication or otherwise to the Bondholders or any one or more thereof may be waived, at any time before or after such notice or communication is so required to be given, by a writing mailed or delivered to the Trustee by the Holder or Holders of all of the Bonds entitled to such notice or communication.

Section 9.03 Determination of Bondholder Concurrence. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the Issuer or the Borrower shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the Issuer or the Borrower. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 9.04 Bondholders' Meeting. A meeting of the Bondholders may be called at any time and from time to time for any of the following purposes:

- (1) to give any notice to the Issuer or to the Trustee, or to give any direction to the Trustee, or to make any request of the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Bondholders pursuant to any of the provisions of Article VII hereof;
- (2) to remove the Trustee or appoint a successor Trustee pursuant to the provisions of Article VIII hereof;
- (3) subject to Article XI hereof, to consent to the execution of an indenture or indentures supplemental hereto;
- (4) subject to Article XII hereof, to consent to any amendment of the Loan Agreement or the Mortgage or to any instrument supplemental thereto; or
- (5) to take any other action authorized to be taken by or on behalf of the Holders of any percentage of the outstanding Bonds under any other provisions of this Indenture or under applicable law.

Any Bondholders' meeting may be called and held as follows:

- (a) A meeting of Bondholders may be held at such place within the Issuer or in the Issuer where the Trustee has its principal office as the Trustee or, in case of its failure to act, the Issuer or Bondholders calling the meeting shall prescribe.
- (b) Notice of every meeting of Bondholders, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be published at least three (3) times in a financial journal, the first publication to be not less than 20 nor more than 180 days prior to the date fixed for the meeting. At the time of the first publication of such notice, the Trustee shall also mail, postage prepaid, a copy of such notice to each owner of registered Bonds. Any failure of the Trustee to mail such notice, or any defect therein shall not, however, in any way impair or affect the validity of any such meeting. If all the Bonds outstanding are registered Bonds, no such notice need be given except notice by mail as hereinabove provided.
- (c) In case at any time the Issuer, pursuant a Certified Resolution, or the Holders of at least ten percent (10%) in aggregate principal amount of the Bonds then outstanding, shall have requested the Trustee to call a meeting of the Bondholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first giving of the notice of such meeting within 20 days after receipt of such request, then the Issuer or the Holders of Bonds in the amount above specified may call such meeting to take any action authorized in this Section by giving notice thereof as provided in paragraph (b) of this Section.

(d) Only a Holder of one or more Bonds or a person appointed as proxy by an instrument in writing of such Holder shall be entitled to vote at or to participate with their counsel and the representatives of the Trustee or the Issuer in such meeting. Each Holder shall be entitled to one vote for each \$1,000 in principal amount of outstanding Bonds held.

(e) The Trustee or, in case of its failure to act, the Issuer or Bondholders calling or requesting the meeting, may make such reasonable regulations as it may deem advisable for any meeting of Bondholders in regard to proof of the holding of Bonds and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

(f) At any meeting of Bondholders, the presence of persons holding or representing Bonds in an aggregate principal amount sufficient under the appropriate provision of this Indenture to take action upon the business for the transaction of which such meeting was called shall constitute a quorum. Any meeting of Bondholders duly called pursuant to this Section may be adjourned from time to time by vote of the Holders (or proxies for the Holders) of a majority of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present; and the meeting may be held as so adjourned without further notice.

(g) The vote upon any resolution submitted to any meeting of Bondholders shall be by written ballots on which shall be subscribed the signatures of the Holders of Bonds or of their representatives by proxy and the serial number or numbers of the Bonds held or represented by them. The chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Bondholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken there at and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was published or mailed as provided in paragraph (b) hereof. Each copy shall be signed and verified by the affidavits of the chairman and secretary of the meeting and one such copy shall be delivered to the Borrower and the Issuer and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.05 Revocation by Bondholders. At any time prior to (but not after) the evidencing to the Trustee of the taking of any action by the Holders of the percentage in aggregate principal amount of the Bonds specified in this Indenture in connection with such action, any Holder of any such Bond may, by filing written notice with the Trustee at its principal office revoke any consent given by such Holder or the predecessor Holder of such Bond. Except as aforesaid, any such consent given by the Holder of any Bond shall be conclusive and binding upon such Holder and upon all future Holders of such Bond and of any Bond issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such Bond. Any action taken by the Holders of the percentage in

aggregate principal amount of the specified in this Indenture in connection with such action shall be conclusively binding upon the Issuer, the Trustee and the Holders of all the Bonds.

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ARTICLE X

PAYMENT, DEFEASANCE AND RELEASE

Section 10.01 Payment and Discharge of Indenture. If the Borrower or the Issuer, its successors or assigns, shall

(a) pay or cause to be paid the principal of and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and herein, or

(b) provide for the payment of principal and premium, if any, of the Bonds and interest thereon by depositing with the Trustee at or at any time before maturity amounts sufficient either in cash or in direct obligations of or obligations fully guaranteed as to principal and interest by the United States of America, the principal and interest on which when due and payable (or redeemable at the option of the holder thereof but not at the option of the issuer thereof) and without consideration of any reinvestment thereof shall be sufficient, to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the outstanding callable Bonds not surrendered or to be surrendered to it for cancellation has been given or waived as provided in Article III hereof, or that arrangements satisfactory to the Trustee have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Issuer under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Issuer, or (3) file with the Trustee a waiver of such notice of redemption signed by the holders of all of such outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in said Article III, the entire amount of the redemption price, including accrued interest and premium, if any, either in cash or direct obligations of or obligations fully guaranteed as to principal and interest by the United States of America (which do not permit the redemption thereof at the option of the issuer) in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of such redemption price on the date such Bonds are to be redeemed, and on such prior dates when principal of and interest on the outstanding Bonds is due and payable, or

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay all other sums due and payable hereunder by the Issuer or the Borrower, provided that if Bonds are to be defeased under either paragraph (b) or (c) above, an opinion of Bond counsel shall be rendered to the Trustee to the effect that the tax-exempt status of interest on the Bonds shall not be impaired thereby, then and in that case, all the Trust Estate shall revert to the Issuer and the Borrower as their interests may appear, and the entire estate, right, title and interest of the Trustee and of the registered owners of the Bonds in respect thereof shall thereupon cease, determine and become void; and the Trustee in such case, upon the cancellation

of all Bonds for the payment of which cash or securities shall not have been deposited in accordance with the provisions of this Indenture, shall, upon receipt of a written request of the Issuer and of a Certificate of the Issuer and an Opinion of Counsel as to compliance with conditions precedent, and at the Borrower's cost and expense, execute to the Issuer, or its order, proper instruments acknowledging satisfaction of this Indenture and surrender to the Issuer and the Borrower, as their interests appear, all cash and deposited securities, if any (other than cash or securities for the payment of the Bonds and interest thereon), which shall then be held hereunder as a part of the Trust Estate.

Nothing contained in this Section 10.01 shall be construed to prohibit the defeasance of one or more, but not all, series of Bonds by any of the methods set forth in clauses (a), (b), (c) or (d) above, as the same would apply to the particular series of Bonds being discharged.

Section 10.02 Bonds Deemed Not Outstanding After Deposits. When there shall have been deposited at any time with the Trustee in trust for the purpose, cash or direct obligations of or obligations fully guaranteed by the United States of America the principal and interest on which shall be sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due dates for such interest or to the date fixed for redemption, for the use and benefit of the holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of this Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding hereunder; and it shall be the duty of the Trustee to hold the cash and securities so deposited for the benefit of the Holders of such Bonds and from and after such date, redemption date or maturity, interest on such Bonds thereof called for redemption shall cease to accrue.

Section 10.03 Unclaimed Money To Be Returned. Any moneys deposited with the Trustee pursuant to the terms of this Indenture, for the payment or redemption of Bonds and remaining unclaimed by the Holders of such Bonds on the date fixed for redemption of the same, as the case may be, for a period of two years and eleven months after the due date, shall, if the Issuer or any successor to the obligations of the Issuer under the Indenture and the Bonds shall not at the time, to the knowledge of the Trustee, be in default with respect to any of the terms and conditions contained in the Indenture or in such Bonds, be paid to the Borrower, and such Holders of the Bonds shall thereafter look only to the Borrower for payment and then only to the extent of the amounts so received without interest thereon; PROVIDED, HOWEVER, that within thirty days prior to the expiration of the two year eleven month period mentioned above, the Trustee, before being required to make any such repayment, may, at the expense and direction of the Borrower cause to be published in a financial journal, a notice that after a date named therein said moneys will be returned to the Borrower.

ARTICLE XI

SUPPLEMENTAL INDENTURES

Section 11.01 Purposes for Which Supplemental Indentures may be Executed. The Issuer, upon resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions in this Indenture contained, may enter into such indentures supplemental hereto as may or shall by them be deemed necessary or desirable without the consent of any Bondholder for any one or more of the following purposes:

- (a) To correct the description of any property hereby pledged or intended so to be, or to assign, convey, pledge or transfer and set over unto the Trustee, subject to such liens or other encumbrances as shall be therein specifically described, additional property or properties of the Issuer or the Borrower for the equal and proportional benefit and security of the Holders and owners of all Bonds at any time issued and outstanding under this Indenture, subject, however, to the provisions hereinabove set forth with respect to extended Bonds;
- (b) To add to the covenants and agreements of the Issuer in this Indenture contained other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Issuer or to or upon any successor;
- (c) To evidence the succession or successive successions of any other department, agency, body or corporation to the Issuer and the assumption by such successor of the covenants, agreements and obligations of the Issuer in the Bonds hereby secured and in this Indenture and in any and every supplemental indenture contained or the succession, removal or appointment of any trustee or paying agent hereunder;
- (d) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indentures which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture or any supplemental indenture as the Issuer may deem necessary or desirable and which shall not be inconsistent with the provisions of this Indenture or any supplemental indenture and which shall not impair the security of the same;
- (e) To modify, eliminate and/or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar Federal statute hereafter enacted, and to add to this Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939; and
- (f) To provide for the issuance of Additional Bonds pursuant to Section 2.09 hereof.

Section 11.02 Execution of Supplemental Indenture. The Trustee is authorized to join with the Issuer in the execution of any such supplemental indenture, to make the further agreements and stipulations which may be therein contained, and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under this Indenture.

In executing any amendment or supplemental indenture, the Trustee shall receive and will be fully protected in conclusively relying upon an Opinion of Counsel stating that the execution of such amendment of supplemental indenture is authorized and permitted by this Indenture and is the legal, valid and binding obligation of the Issuer enforceable against it in accordance with its terms.

Section 11.03 Discretion of Trustee. In each and every case provided for in this Article (other than a supplemental indenture approved by the Holders of a majority in aggregate principal amount of the Bonds pursuant to Section 11.04 hereof), the Trustee shall be entitled to exercise its unrestricted discretion in determining whether or not any proposed supplemental indenture or any term or provisions therein contained is necessary or desirable, having in view the respective rights and interests of the Holders of Bonds theretofore issued hereunder; and the Trustee shall be under no responsibility or liability to the Issuer or to the Borrower or to any Holder of any such Bond, or to anyone whatever, for any act or thing which it may do or decline to do in good faith subject to the provisions of this Article, in the exercise of such discretion.

Section 11.04 Modification of Indenture with Consent of Bondholders. Subject to the terms and provisions contained in this Section, the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; PROVIDED, HOWEVER, that nothing herein contained shall permit or be construed as permitting, without the consent of the Holders of all outstanding Bonds, (a) an extension of the maturity of any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by this Indenture and the Mortgage, or (d) a preference or priority of any Bond or Bonds over any others, or (e) a reduction in the aggregate principal amount of the Bonds required to consent to supplemental indentures, amendments to the Loan Agreement or amendments to the Mortgage or (f) a reduction in the aggregate principal amount of the Bonds required to waive an Event of Default.

Whenever the Issuer shall deliver to the Trustee a resolution of Bondholders adopted at a Bondholders' meeting approved by, or an instrument or instruments purporting to be executed by, the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding, which resolution or instrument or instruments shall refer to the proposed supplemental indenture and shall specifically consent to and approve the execution thereof,

thereupon, the Issuer and the Trustee may execute such supplemental indenture without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to the execution of such supplemental indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

Section 11.05 Supplemental Indentures to be Part of Indenture. Any supplemental indenture executed in accordance with any of the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such supplemental indenture as to any provisions authorized to be contained therein shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all Holders of Bonds then outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. If deemed necessary or desirable by the Trustee, reference to any such supplemental indenture or any of such terms or conditions thereof may be set forth in reasonable and customary manner in the text of the Bonds or in a legend stamped on the Bonds.

Section 11.06 Rights of Borrower Unaffected. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XI which adversely affects the rights of the Borrower under the Loan Agreement, the Mortgage, or this Indenture, so long as the Loan Agreement and the Mortgage are in effect, shall not become effective unless and until the Borrower shall have consented to the execution and delivery of such supplemental indenture. The Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to the execution and delivery of which the Borrower has not already consented, together with a copy of the proposed supplemental indenture, to be mailed to the Borrower at least thirty (30) days prior to the proposed date of execution and delivery of any such supplemental indenture.

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ARTICLE XII

AMENDMENTS TO THE LOAN AGREEMENT, MORTGAGE AND GUARANTEES

Section 12.01 Amendments to the Loan Agreement, Mortgage and Guarantees Not Requiring Consent of Bondholders. The Issuer, the Borrower and the Trustee shall without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Loan Agreement, Mortgage or the Guarantees as may be required (i) by the provisions of the Loan Agreement, the Mortgage, the Guarantees or this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, or (iii) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Section 12.02 Amendments to Loan Agreement Mortgage and Guarantees Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 12.01 hereof, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement, Mortgage or the Guarantees without the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding given and procured as in this Section provided; provided, however, that no such amendment, change or modification shall ever affect the unconditional obligation of the Borrower to make Loan Repayments as they become due and payable. If the Holders of not less than a majority in aggregate principal amount of the Bonds outstanding hereunder at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Issuer or the Borrower from executing the same or from taking any action pursuant to the provisions thereof.

Section 12.03 No Amendment May Reduce Loan Repayments. Under no circumstances shall any amendment to the Loan Agreement or Mortgage reduce the Loan Repayments without the consent of the Holders of all the Bonds outstanding.

Section 12.04 Rights of Issuer. Neither the Issuer nor the Trustee has any duty or obligation to consent to any proposed amendment to the Loan Agreement or Mortgage and may, at the expense of the Borrower, request and receive an opinion of such counsel as the Issuer or the Trustee may select in connection with any matter relating to a proposed amendment.

ARTICLE XIII

MISCELLANEOUS

Section 13.01 Covenants of Issuer Bind Successors and Assigns. All the covenants, stipulations, promises and agreements in this Indenture contained, by or in behalf of the Issuer, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 13.02 Immunity of Officers. No recourse for the payment of any part of the principal of or interest on any Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issue, purchase or ownership of the Bonds shall be had against any officer, member or agent of the Governing Body, the Issuer or the State of Minnesota, as such, all such liability being hereby expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bonds.

Section 13.03 No Benefits to Outside Parties. Nothing in this Indenture, express or implied, is intended or shall be construed to confer upon or to give to any person or corporation, other than the Borrower, the parties hereto and the Holders of the Bonds issued hereunder, any right, remedy or claim under or by reason of this Indenture or covenant, condition or stipulation thereof; and the covenants, stipulations and agreements in this Indenture contained are and shall be for sole and exclusive benefit of the Borrower, the parties hereto, their successors and assigns, and the Holders of the Bonds.

Section 13.04 Separability of Indenture Provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 13.05 Execution of Indenture in Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which, when so executed, shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

Section 13.06 Headings Not Controlling. The headings of the several Articles and Sections hereof are inserted for the convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 13.07 Notices, etc. to Trustee, Issuer and Borrower. Any request, demand, authorization, direction, notice, consent of Bondholders or other document provided or permitted by this Indenture shall be sufficient for any purpose under this Indenture, the Loan Agreement or the Mortgage, when hand delivered or mailed by first class mail (except as otherwise provided in this Indenture) (with a copy to the other parties) at the following addresses (or such other address as may be provided by any party by written notice) and shall be deemed to be effective upon receipt:

- A. To the Issuer
City of Milaca
255 1st Street East
Milaca, MN 556353-1609
Attention: City Manager
- B. To the Borrower
Grandview Christian Home
2845 Hamline Avenue North,
Suite 200
Roseville, Minnesota 55113
Attention: Chief Financial Officer
- C. To the Trustee
U.S. Bank National Association
60 Livingston Avenue
3rd Floor
EP-MN-WS3C
St. Paul, MN 55107
Attention: Global Corporate Trust Services
- D. To the Original Purchaser
Northland Securities, Inc.
45 South Seventh Street
Suite 2000
Minneapolis, MN 55402
Attention: Public Finance

[The balance of this page intentionally left blank]

IN WITNESS WHEREOF, the CITY OF MILACA, by its Governing Body, has caused this Indenture to be signed in its name by its duly authorized officers and U.S. BANK NATIONAL ASSOCIATION, as Trustee, to evidence its acceptance of the trust hereby created, has caused this Indenture to be signed in its name by an authorized signatory of the Trustee, all as of the day and year first above written, but actually on the _____ day of _____, 2016.

CITY OF MILACA

By _____
Mayor

By _____
City Manager

[Signature page to Trust Indenture dated as of September 1, 2016,
between City of Milaca, Minnesota and U.S. Bank National Association, as trustee]

U.S. BANK NATIONAL ASSOCIATION,
Trustee

By _____
Its Vice President

[Signature page to Trust Indenture dated as of September 1, 2016,
between City of Milaca, Minnesota and U.S. Bank National Association, as trustee]

EXHIBIT A

Form of fully registered Series 2016 Bond

UNITED STATES OF AMERICA
STATE OF MINNESOTA
CITY OF MILACA

Refunding Revenue Bond
(Grandview Christian Home Project)
Series 2016

R- _____ \$ _____

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issuance</u>	<u>CUSIP</u>
_____%	October 1, _____	_____, 2016	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The City of Milaca, a Minnesota municipality (the "Issuer"), for value received, hereby promises to pay, but solely from the sources hereinafter described, to the registered owner specified above or registered assigns, the principal amount set forth above on the maturity date specified above, upon the presentation and surrender hereof, and to pay to the registered owner hereof interest on such principal amount from such sources at the interest rate specified above from the date of original issue set forth above, or the most recent interest payment date to which interest has been paid or duly provided for as specified below, on April 1 and October 1 of each year, commencing April 1, 2017, until said principal amount is paid. Principal and the redemption price is payable in lawful money of the United States of America at the office of U.S. Bank National Association, as Trustee under the Indenture hereinafter described or of its successor as Trustee. Interest shall be paid on each April 1 and October 1 interest payment date by check or draft mailed to the person in whose name this Bond is registered at the close of business on the fifteenth day of the preceding month (whether or not a business day) at the registered address of such owner as set forth on the registration records maintained by the Trustee; provided, however, that notwithstanding anything else set forth herein, so long as the Bonds of this series are in Book-Entry Form (as described in the Indenture referred to below), principal, premium, if any, and interest shall be paid in accordance with the requirements of the Depository Trust Company, New York, New York, as in effect from time to time. Any such interest not punctually paid or provided for will cease to be payable on such regular record dates and such defaulted interest may be paid to the person in whose name this Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest established by the Trustee pursuant to the Indenture.

This Bond is issued pursuant to Minnesota Statutes, Chapter 462C, as amended (the "Act"), and in conformity with the provisions, restrictions and limitations thereof. This Bond does not constitute a charge against the general credit or properties or taxing powers of the Issuer and does not grant to the owner of this Bond any right to have the Issuer levy any taxes or appropriate any funds for the payment of the principal hereof or interest hereon, nor is this Bond a general obligation of the Issuer or the individual officers or agents thereof. This Bond and interest hereon are payable solely from the moneys received under the Loan Agreement or Mortgage or held by the Trustee in a fund or account appropriated to the payment of the Bonds of this series under the Indenture, all as hereinafter mentioned, including loan repayments to be made by Grandview Christian Home, a Minnesota nonprofit corporation (the "Borrower").

This Bond is one of a duly authorized series of special, limited obligation Bonds of an aggregate principal amount of \$9,315,000 in denominations of \$5,000 or integral multiples thereof not exceeding the principal amount maturing in any year, and numbered from R-1 upwards, and of like tenor and effect except as to serial number, denomination, interest rate, maturity and right of prior redemption, all of which have been authorized by law to be issued and have been issued or are to be issued for the purpose of funding a loan from the Issuer to the Borrower in order to refund certain outstanding revenue bonds and thereby to provide refinancing for the Project described in the Loan Agreement (herein called the "Loan Agreement") between the Issuer and the Borrower, dated as of September 1, 2016, and the Trust Indenture (the "Indenture") of even date with the Loan Agreement, duly executed and delivered by the Issuer to the Trustee. The Bonds of this series are equally and ratably secured by the Loan Agreement, the Indenture, and a Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents of even date with the Indenture (the "Mortgage"), executed by the Borrower to the Trustee. Reference is hereby made to all such documents and any supplements thereto for a description and limitation of the property, revenues and funds pledged and appropriated to the payment of the Bonds, the nature and extent of the security thereby created, the conditions to the issuance of Additional Bonds, the rights of the owners of the Bonds, the rights, duties and immunities of the Trustee, and the rights, immunities and obligations of the Issuer thereunder. Certified copies of the Bond Resolution and executed counterparts of the Indenture, Loan Agreement and Mortgage are on file at the office of the Trustee.

(a) The Bonds of this series maturing after October 1, 2021, are subject to optional redemption and prepayment prior to the stated maturities thereof, at the direction of the Borrower, on October 1, 2021, and any business day thereafter, in whole or in part, and if in part in integral multiples of \$5,000 and in such order of maturities as shall be selected by the Borrower and by random selection within a maturity, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus accrued interest, plus a premium (expressed as a percentage of the principal amount of Bonds to be redeemed), as follows:

<u>Redemption Date</u>	<u>Premium</u>
October 1, 2021, to and including September 30, 2022	1.00%

and thereafter without premium.

The Bonds [maturing in the years ____, ____ and ____] are subject to mandatory redemption through application of the Sinking Fund provided for in the Indenture, from Loan Repayments to be made by the Borrower, at a redemption price equal to par plus accrued interest, such Bonds to be selected by random selection by the Trustee, on April 1 and October 1 of the years and in the amounts, respectively, as is set forth in the Indenture.

The Bonds of this series are subject to extraordinary redemption, at the direction of the Borrower, on any business day, in whole or in part, and if in part in integral multiples of \$5,000 and in such order of maturities as shall be selected by the Borrower and by random selection within a maturity, in certain events of damage to or destruction or condemnation of the Project Facilities, or change of law, as provided in Sections 4.07, 5.10 and 5.11 of the Loan Agreement, at a redemption price equal to par plus accrued interest.

The Bonds of this series are subject to mandatory redemption in the event of a Determination of Taxability, as defined in the Indenture. In the event of a Determination of Taxability, the Borrower is obligated to cause each of the Bonds of this series to be redeemed at a redemption price equal to par, plus accrued interest, plus a premium equal to 3.00% of the principal amount of the Bonds to be redeemed.

Subject to the provisions of the Book-Entry System described in the Indenture, notice of any such redemption shall be given to the registered owner of each such Bond by first class mail, addressed to such owner at its registered address, not earlier than sixty days nor later than thirty days prior to the date fixed for redemption and shall be published as may be required by law. Prior to the date fixed for redemption, funds shall be deposited with the Trustee sufficient to pay the Bonds called and accrued interest thereon, plus any premium required. Upon the happening of the above conditions, Bonds thus called shall not bear interest after the call date and, except for the purpose of payment, from the funds so deposited, shall no longer be protected by the Indenture.

This Bond is transferable, as provided in the Indenture, only upon the registration records kept at the office of the Trustee by the registered owner hereof in person or by his duly authorized attorney, upon surrender of this Bond for transfer at the office of the Trustee, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the registered owner hereof or his duly authorized attorney, and, upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, one or more fully registered Bonds of this series of the same principal amount and interest rate will be issued to the designated transferee or transferees.

The Bonds of this series are issuable only as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount maturing in any year. As provided in the Indenture and subject to certain limitations therein set

forth, the Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series of a different authorized denomination, as requested by the registered owner or his duly authorized attorney upon surrender thereof to the Trustee.

In case an event of default as defined in the Indenture or Loan Agreement occurs, the principal of this Bond and all other Bonds outstanding may be declared or may become due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture, but no owner of any Bond shall have any right to enforce the provisions of the Indenture, Loan Agreement or Mortgage, except as provided in the Indenture.

With the consent of the Issuer and Trustee and to the extent permitted by and as provided in the Indenture, the terms and provisions of the Indenture, Loan Agreement and Mortgage, or of any instrument supplemental thereto, may be modified or altered by the assent or authority of the holders of at least 66 2/3% in aggregate principal amount of the Bonds then outstanding thereunder.

It is hereby certified and recited: that all acts, conditions and things required to be done precedent to and in the issuance of this Bond and the series of which it is a part have been properly done, have happened and have been performed in regular and due time, form and manner as required by law; and that this Bond and the series of which it is a part does not constitute a debt of the Issuer within the meaning of any constitutional or statutory limitation.

This Bond shall not be valid or become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, City of Milaca, by its Governing Body, has caused this Bond to be executed in its name by the facsimile signatures of its duly authorized officers as of the Date of Original Issue specified above.

CITY OF MILACA, MINNESOTA

(facsimile)
Mayor

(facsimile)
City Manager

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Indenture.

Date: _____

U.S. BANK NATIONAL ASSOCIATION,
Trustee

By: _____
Authorized Signature

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please Print or Typewrite Name and Address of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signature Program ("MSP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.

The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

The Trustee will not effect a transfer of this Bond unless the information concerning the transferee requested below is provided.

Name and Address:

(Include information for all joint owners if the Bond is held by joint account)

Insert social security or other identifying number of Transferee

EXHIBIT B

DRAW REQUEST

To: U.S. Bank National Association, as trustee

1. The undersigned Authorized Borrower Representative (the "Authorized Borrower Representative") of Grandview Christian Home, a Minnesota nonprofit corporation (the "Borrower") hereby authorizes and requests the above-referenced trustee (the "Trustee") to disburse \$ _____ from the Cost of Issuance Account established by the Trustee within the Project Fund, all pursuant to the Trust Indenture dated as of September 1, 2016, (the "Indenture"), from City of Milaca, Minnesota (the "Issuer") to the Trustee, in order to (i) reimburse the Borrower for certain Costs of Issuance paid by the Borrower prior to the issuance of the Series 2016 Bonds described in the Indenture (the "Bonds") pursuant to the Indenture, or (ii) pay designated parties for Costs of Issuance incurred by the Borrower, all as more specifically described in the attachments hereto.

2. The undersigned further certifies that this statement and all exhibits and attachments hereto, and documents furnished in connection herewith, shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto, and that this statement constitutes the approval of the Borrower of each disbursement hereby requested and authorized.

3. The undersigned further certifies that the item or items to be paid herewith have not formed the basis for any prior requests for disbursement from the Cost of Issuance Account submitted to the Trustee by the Borrower.

4. All terms used in this Draw Request whose initial letter is capitalized but is not required to be capitalized by proper rules of grammar shall have the meanings assigned to such terms by the Indenture.

Dated: _____

Authorized Borrower Representative

ORDINANCE NO. 420
AN ORDINANCE OPTING-OUT OF THE REQUIREMENTS OF MINNESOTA
STATUTES, SECTION 462.3593

WHEREAS, on May 12, 2016, Governor Dayton signed into law the creation and regulation of temporary family health care dwellings, codified at Minn. Stat. § 462.3593, which permit and regulate temporary family health care dwellings;

WHEREAS, subdivision 9 of Minn. Stat. §462.3593 allows cities to “opt out” of those regulations;

THE CITY COUNCIL OF THE CITY OF MILACA, ORDAINS as follows:

The City’s zoning code is amended as follows:

Section 156.057A is amended to read:

OPT-OUT OF MINNESOTA STATUTES, SECTION 462.3593

SECTION 1. 156.057A (1). Pursuant to authority granted by Minnesota Statutes, Section 462.3593, subdivision 9, the City of Milaca opts-out of the requirements of Minn. Stat. §462.3593, which defines and regulates Temporary Family Health Care Dwellings.

SECTION 2. This Ordinance shall be effective immediately upon its passage and publication.

ADOPTED this 18th day of August, 2016.

Mayor Harold Pedersen

ATTEST:

Greg Lerud, City Clerk



CONNECTING & INNOVATING
SINCE 1913

Temporary Family Health Care Dwellings of 2016 Allowing Temporary Structures – What it means for Cities

Introduction:

On May 12, 2016, Gov. Dayton signed, into law, a bill creating a new process for landowners to place mobile residential dwellings on their property to serve as a temporary family health care dwelling.¹ Community desire to provide transitional housing for those with mental or physical impairments and the increased need for short term care for aging family members served as the catalysts behind the legislature taking on this initiative. The resulting legislation sets forth a short term care alternative for a “mentally or physically impaired person”, by allowing them to stay in a “temporary dwelling” on a relative’s or caregiver’s property.²

Where can I read the new law?

Until the state statutes are revised to include bills passed this session, cities can find this new bill at [2016 Laws, Chapter 111](#).

Does the law require cities to follow and implement the new temporary family health care dwelling law?

Yes, unless a city opts out of the new law or currently allows temporary family health care dwellings as a permitted use.

Considerations for cities regarding the opt-out?

These new temporary dwellings address an emerging community need to provide more convenient temporary care. When analyzing whether or not to opt out, cities may want to consider that:

- The new law alters a city’s level of zoning authority for these types of structures.
- While the city’s zoning ordinances for accessories or recreational vehicles do not apply, these structures still must comply with setback requirements.
- A city’s zoning and other ordinances, other than its accessory use or recreational vehicle ordinances, still apply to these structures. Because conflicts may arise between the statute and a city’s local ordinances, cities should confer with their city attorneys to analyze their current ordinances in light of the new law.

¹ [2016 Laws, Chapter 111](#).

² Some cities asked if other states have adopted this type of law. The only states that have a somewhat similar statute at the time of publication of this FAQ are North Carolina and Virginia. It is worth noting that some states have adopted Accessory Dwelling Unit (ADU) statutes to allow granny flats, however, these ADU statutes differ from Minnesota’s Temporary Health Care Dwelling law.

- Although not necessarily a legal issue for the city, it seems worth mentioning that the permit process does not have the individual with the physical or mental impairment or that individual's power of attorney sign the permit application or a consent to release his or her data.
- The application's data requirements may result in the city possessing and maintaining nonpublic data governed by the Minnesota Government Data Practices Act.
- The new law sets forth a permitting system for both cities and counties³. Cities should consider whether there is an interplay between these two statutes.

Do cities need to do anything to have the new law apply in their city?

No, the law goes into effect Sept. 1, 2016 and automatically applies to all cities that do not opt out or don't already allow temporary family health care dwellings as a permitted use under their local ordinances.

Do cities lose the option to opt out after the Sept. 1, 2016 effective date?

No, the law does not set a deadline for opting out, so cities can opt out after Sept. 1, 2016. However, if the city has not opted out by Sept. 1, 2016, then the city must not only have determined a permit fee amount⁴ before that date (if the city wants to have an amount different than the law's default amount), but also must be ready on that date to accept applications and process the permits in accordance with the short timeline required by the law. Cities should consult their city attorney to analyze how to handle applications submitted after Sept. 1, 2016, but still pending at the time of a later opt out.

What if a city already allows a temporary family health care dwelling as a permitted use?

If the city already has designated temporary family health care dwellings as a permitted use, then the law does not apply and the city follows its own ordinance. The city should consult its city attorney for any uncertainty about whether structures currently permitted under existing ordinances qualify as temporary family health care dwellings.

What process should the city follow if it chooses to opt out of this statute?

Cities that wish to opt out of this law must pass an ordinance to do so. The statute does not provide clear guidance on how to treat this opt-out ordinance. However, since the new law adds section 462.3593 to the land use planning act (Minn. Stat. ch. 462), arguably, it may represent the adoption or an amendment of a zoning ordinance, triggering the requirements of Minn. Stat. § 462.357, subd. 2-4, including a public hearing with 10-day published notice. Therefore, cities may want to err on the side of caution and treat the opt-out ordinance as a zoning provision.⁵

³ See Minn. Stat. §394.307

⁴ Cities do have flexibility as to amounts of the permit fee. The law sets, as a default, a fee of \$100 for the initial permit with a \$50 renewal fee, but authorizes a city to provide otherwise by ordinance.

⁵ For smaller communities without zoning at all, those cities still need to adopt an opt-out ordinance. In those instances, it seems less likely that the opt-out ordinance would equate to zoning. Because of the ambiguity of the

Does the League have a model ordinance for opting out of this program?

Yes. Link to opt out ordinance here: [Temporary Family Health Care Dwellings Ordinance](#)

Can cities partially opt out of the temporary family health care dwelling law?

Not likely. The opt-out language of the statute allows a city, by ordinance, to opt out of the requirements of the law but makes no reference to opting out of parts of the law. If a city wanted a program different from the one specified in statute, the most conservative approach would be to opt out of the statute, then adopt an ordinance structured in the manner best suited to the city. Since the law does not explicitly provide for a partial opt out, cities wanting to just partially opt out from the statute should consult their city attorney.

Can a city adopt pieces of this program or change the requirements listed in the statute?

Similar to the answer about partially opting out, the law does not specifically authorize a city to alter the statutory requirements or adopt only just pieces of the statute. Several cities have asked if they could add additional criteria, like regulating placement on driveways, specific lot size limits, or anchoring requirements. As mentioned above, if a city wants a program different from the one specified in the statute, the most conservative approach would involve opting out of the statute in its entirety and then adopting an ordinance structured in the manner best suited to the city. Again, a city should consult its city attorney when considering adopting an altered version of the state law.

What is required in an application for a temporary family health care dwelling permit?

The mandatory application requests very specific information including, but not limited to:⁶

- Name, address, and telephone number of the property owner, the resident of the property (if different than the owner), and the primary care giver;
- Name of the mentally or physically impaired person;
- Proof of care from a provider network, including respite care, primary care or remote monitoring;
- Written certification signed by a Minnesota licensed physician, physician assistant or advanced practice registered nurse that the individual with the mental or physical impairment needs assistance performing two or more “instrumental activities of daily life.”⁷

statute, cities should consult their city attorneys on how best to approach adoption of the opt-out ordinance for their communities.

⁶ New Minn. Stat. § 462.3593, subd. 3 sets forth all the application criteria.

⁷ This is a term defined in law at Minn. Stat. § 256B.0659, subd. 1(i) as “activities to include meal planning and preparation; basic assistance with paying bills; shopping for food, clothing, and other essential items; performing household tasks integral to the personal care assistance services; communication by telephone and other media; and traveling, including to medical appointments and to participate in the community.”

- An executed contract for septic sewer management or other proof of adequate septic sewer management;
- An affidavit that the applicant provided notice to adjacent property owners and residents;
- A general site map showing the location of the temporary dwelling and the other structures on the lot; and
- Compliance with setbacks and maximum floor area requirements of primary structure.

The law requires all of the following to sign the application: the primary caregiver, the owner of the property (on which the temporary dwelling will be located) and the resident of the property (if not the same as the property owner). However, neither the physically disabled or mentally impaired individual nor his or her power of attorney signs the application.

Who can host a temporary family health care dwelling?

Placement of a temporary family health care dwelling can only be on the property where a “caregiver” or “relative” resides. The statute defines caregiver as “an individual, 18 years of age or older, who: (1) provides care for a mentally or physically impaired person; and (2) is a relative, legal guardian, or health care agent of the mentally or physically impaired person for whom the individual is caring.” The definition of “relative” includes “a spouse, parent, grandparent, child, grandchild, sibling, uncle, aunt, nephew or niece of the mentally or physically impaired person. Relative also includes half, step and in-law relationships.”

Is this program just for the elderly?

No. The legislature did not include an age requirement for the mentally or physically impaired dweller.⁸

Who can live in a temporary family health care dwelling and for how long?

The permit for a temporary health care dwelling must name the person eligible to reside in the unit. The law requires the person residing in the dwelling to qualify as “mentally or physically impaired,” defined as “a person who is a resident of this state and who requires assistance with two or more instrumental activities of daily living as certified by a physician, a physician assistant, or an advanced practice registered nurse, licenses to practice in this state.” The law specifically limits the time frame for these temporary dwellings permits to 6 months, with a one-time 6 month renewal option. Further, there can be only one dwelling per lot and only one dweller who resides within the temporary dwelling

⁸ The law expressly exempts a temporary family health care dwelling from being considered “housing with services establishment”, which, in turn, results in the 55 or older age restriction set forth for “housing with services establishment” not applying.

What structures qualify as temporary family health care dwellings under the new law?

The specific structural requirements set forth in the law preclude using pop up campers on the driveway or the “granny flat” with its own foundation as a temporary structure. Qualifying temporary structures must:

- Primarily be pre-assembled;
- Cannot exceed 300 gross square feet;
- Cannot attach to a permanent foundation;
- Must be universally designed and meet state accessibility standards;
- Must provide access to water and electrical utilities (by connecting to principal dwelling or by other comparable means⁹);
- Must have compatible standard residential construction exterior materials;
- Must have minimum insulation of R-15;
- Must be portable (as defined by statute);
- Must comply with Minnesota Rules chapter 1360 (prefabricated buildings) or 1361 (industrialized/modular buildings), “and contain an Industrialized Buildings Commission seal and data plate or to American National Standards Institute Code 119.2”¹⁰; and
- Must contain a backflow check valve.¹¹

Does the State Building Code apply to the construction of a temporary family health care dwelling?

Mostly, no. These structures must meet accessibility standards (which are in the State Building Code). The primary types of dwellings proposed fall within the classification of recreational vehicles, to which the State Building Code does not apply. Two other options exist, however, for these types of dwellings. If these structures represent a pre-fabricated home, the federal building code requirements for manufactured homes apply (as stated in Minnesota Rules, Chapter 1360). If these structures are modular homes, on the other hand, they must be constructed consistent with the State Building Code (as stated in Minnesota Rules, Chapter 1361).

What health, safety and welfare requirements does this new law include?

Aside from the construction requirements of the unit, the temporary family health care dwelling must be located in an area on the property where “septic services and emergency vehicles can gain access to the temporary family health care dwelling in a safe and timely manner.”

What local ordinances and zoning apply to a temporary health care dwelling?

The new law states that ordinances related to accessory uses and recreational vehicle storage and parking do not apply to these temporary family health care dwellings.

⁹ The Legislature did not provide guidance on what represents “other comparable means”.

¹⁰ ANSI Code 119.2 has been superseded by NFPA 1192. For more information, the American National Standards Institute website is located at <https://www.ansi.org/>.

¹¹ New Minn. Stat. § 462.3593, subd. 2 sets forth all the structure criteria.

However, unless otherwise provided, setbacks and other local ordinances, charter provisions, and applicable state laws still apply. Because conflicts may arise between the statute and one or more of the city's other local ordinances, cities should confer with their city attorneys to analyze their current ordinances in light of the new law.

What permit process should cities follow for these permits?

The law creates a new type of expedited permit process. The permit approval process found in Minn. Stat. § 15.99 generally applies; however, the new law shortens the time frame within which the local governmental unit can make a decision on the permit. Due to the time sensitive nature of issuing a temporary dwelling permit, the city does not have to hold a public hearing on the application and has only 15 days (rather than 60 days) to either issue or deny a permit. For those councils that regularly meet only once a month, the law provides for a 30-day decision. The law specifically prohibits cities from extending the time for making a decision on the permit application. The new law allows the clock to restart if a city deems an application incomplete, but the city must provide the applicant written notice within five business days of receipt of the application identifying the missing information.

Can cities collect fees for these permits?

Cities have flexibility as to amounts of the permit fee. The law sets the fee at \$100 for the initial permit with a \$50 renewal fee, unless a city provides otherwise by ordinance

Can cities inspect, enforce and ultimately revoke these permits?

Yes, but only if the permit holder violates the requirements of the law. The statute allows for the city to require the permit holder to provide evidence of compliance and also authorizes the city to inspect the temporary dwelling at times convenient to the caregiver to determine compliance. The permit holder then has sixty (60) days from the date of revocation to remove the temporary family health care dwelling. The law does not address appeals of a revocation.

How should cities handle data it acquires from these permits?

The application data may result in the city possessing and maintaining nonpublic data governed by the Minnesota Government Data Practices Act. To minimize collection of protected health data or other nonpublic data, the city could, for example, request that the required certification of need simply state "that the person who will reside in the temporary family health care dwelling needs assistance with two or more instrumental activities of daily living", without including in that certification data or information about the specific reasons for the assistance, the types of assistance, the medical conditions or the treatment plans of the person with the mental illness or physical disability. Because of the complexities surrounding nonpublic data, cities should consult their city attorneys when drafting a permit application.

Should the city consult its city attorney?

Yes. As with any new law, to determine the potential impact on cities, the League recommends consulting with your city attorney.

Temporary Family HealthCare Dwellings

June 27, 2016

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Where can cities get additional information or ask other questions.

For more information, contact Staff Attorney Pamela Whitmore at pwhitmore@lmc.org or LMC General Counsel Tom Grundhoefer at tgrundho@lmc.org. If you prefer calling, you can reach Pamela at 651.281.1224 or Tom at 651.281.1266.



CITY OF MILACA SPECIAL EVENT PERMIT APPLICATION

Permit No. _____
Return to City Hall By: _____
Date of Application: July 20, 2016

NAME OF SPECIAL EVENT: First National Bank of Milaca Birthday Bash (Anniversary)
TYPE OF SPECIAL EVENT: Parade _____ Runs/Walks _____ Other: Street Dance
Applicant's or Organization's Name: First National Bank of Milaca
Name of Contact Person: Traci Otten
Address: 190 2nd Ave. SW, Milaca, MN 56330
Email Address: traci.otten@fnbmilaca.com
Daytime Phone: 320-983-1355
Evening Phone: _____
Fax Phone #: 320-983-2341

Other permits may be required for your event. This application will allow you to apply for the Special Event Permit along with Street Closings, Banners/Signs, and Parade Permits. All information needed for these permits are attached to this application. You must obtain a separate application for Park/Shelter Reservations, Temporary 3.2. Malt Beverage license, or Fireworks Permit.

Starting Date August 19, 2016
Ending Date August 19, 2016
Estimated Number of Participants Attending the Event _____
Number of Sanitary Facilities 4
Starting Time 5pm
Ending Time 11pm
Sanitary Locations molacek's Parking Lot

Where will Individuals Park where ever parking is available in town
Will Security Be Provided [] Yes [X] No
Explain Arrangements: _____

If using a public address system, give the location of speakers in front of the bank

How will drinking water be provided for sale.

Will electricity be required, and if so, how will it be provided generator.

How will refuse be disposed of Jim's Mill Lacs Disposal will pick up.

Will the Special Event require the use of a park/shelter [] Yes [X] No
(if yes, a park/shelter reservation form must be obtained from the City of Milaca)

PARADE

IF YOUR EVENT INCLUDES A PARADE, YOU MUST COMPLETE THIS SECTION

Parade Title _____

Date of Parade _____ Assembly Time _____

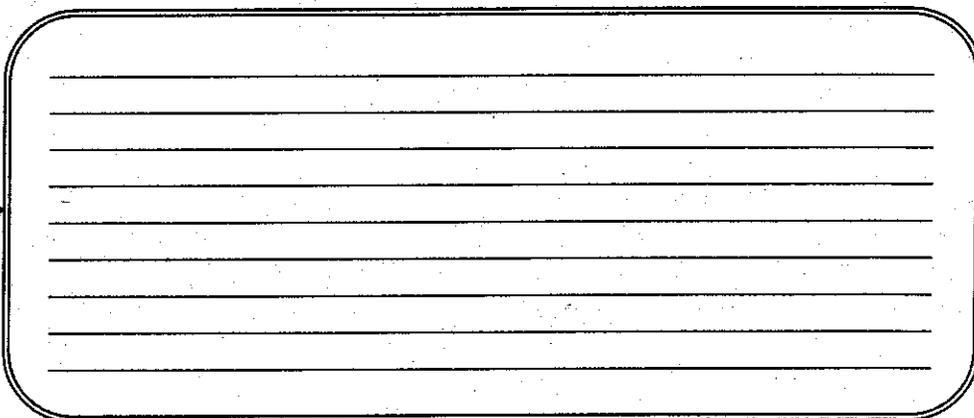
Assembly Area _____

(Note: Applicant must obtain owner(s) written permission and attach to this application if assembly/dispersal is on private property).

Exact Starting Time _____ Estimated Duration _____

Actual Starting Location _____

Proposed Parade Route
(Attach a separate sheet if necessary)



Parade End Location _____ Parade Dispersal Area _____

Approximate Number of Units in Parade _____

Approximate Number of Persons in Parade _____

Approximate Number of Animals in Parade _____

Type of Animals in Parade _____

Maximum Length of Parade in miles (or fractions thereof) _____

Contact Person _____ Telephone: _____ Cell Phone _____

If your parade involves the closing of any county road in the city limits, please allow up to 60 days for approval because the city must receive Mille Lacs County Board approval prior to final approval by the City of Milaca.

BANNERS & SIGNS

IF YOUR EVENT REQUIRES BANNERS OR SIGNS, YOU MUST COMPLETE THIS SECTION
(Attach a separate sheet if necessary)

Banner description(s) and location, including size, method of construction and wording:

BANNER(S):

Date Banner to be put up _____ Date Banner to be taken down _____

Contact Person _____ Telephone Phone _____ Cell Telephone _____

Sign description(s) and location, including size, method of construction and wording:

SIGN(S)

Date Sign to be put up _____ Date Sign to be taken down _____

Contact Person _____ Telephone Phone _____ Cell Telephone _____

BANNER & SIGN RULES

Special events temporary signs for non-profit organizations are permitted which are temporary displays which are erected to celebrate, commemorate or observe a civil or religious holiday. These signs shall be removed from the premises within ten days following completion of the special event. The special event signs shall not exceed four feet by eight feet in size.

Special events temporary signs shall not be erected more than 90 days before the date of the special event; an extension of this time limit may be obtained only by variance.

Public portable signs may be erected by the city and/or a non-profit corporation to advertise community-interest events and which public portable signs shall be placed upon public property. All public portable signs shall not be erected more than seven days before the date of the special event and shall be promptly removed following the event.

The Building Inspector may order the removal of any sign in violation of city ordinance.

YOU MUST COMPLETE THIS SECTION FOR EACH CLOSING THROUGHOUT THE ENTIRE EVENT
STREET CLOSINGS

1.

Location 2nd Ave. SW Between 1st Street SW & 2nd Street SW
(Street to be Closed) (Cross Street) (Cross Street)
Date August 19, 2016 Time 4pm - 12am
(Beginning) (End)
Contact Person Traci Otten Daytime Phone 320-983-1355 Cell Phone _____
Special Requests Road blocks for both ends.

2.

Location _____ Between _____ & _____
(Street to be Closed) (Cross Street) (Cross Street)
Date _____ Time _____ - _____
(Beginning) (End)
Contact Person _____ Daytime Phone _____ Cell Phone _____
Special Requests _____

3.

Location _____ Between _____ & _____
(Street to be Closed) (Cross Street) (Cross Street)
Date _____ Time _____ - _____
(Beginning) (End)
Contact Person _____ Daytime Phone _____ Cell Phone _____
Special Requests _____

4.

Location _____ Between _____ & _____
(Street to be Closed) (Cross Street) (Cross Street)
Date _____ Time _____ - _____
(Beginning) (End)
Contact Person _____ Daytime Phone _____ Cell Phone _____
Special Requests _____

5.

Location _____ Between _____ & _____
(Street to be Closed) (Cross Street) (Cross Street)
Date _____ Time _____ - _____
(Beginning) (End)
Contact Person _____ Daytime Phone _____ Cell Phone _____
Special Requests _____

For additional street closings, attach a separate sheet of paper listing each closing individually.

APPLICATION FOR PERMIT FOR
OFF PREMISES SALES FOR EXISTING ON SALE
INTOXICATING LIQUOR LICENSEE

State of Minnesota
County of Mille Lacs
City of Milaca

\$100.00 Application Fee

PLEASE CHECK ONE OF THE FOLLOWING: Partnership Corporation Individual

I, ANNETTE M. BENDTSEN, hereby make application for the
(Applicant's Name)

BS, INC. DBA: JIGGERS GRILL + BAR for a Permit for Off Premises Sales of
(Name of Business/Organization)

such liquor under and pursuant to an ordinance (resolution) passed by City of Milaca, County of Mille Lacs; and Chapter 340A, Minnesota Statutes, as amended, providing for licensing and regulating the sale of intoxicating liquor.

Business/Organization Address:

130 CENTRAL AVE SW MILACA MN 56353
Street Address City State Zip

Business/Organization was incorporated in 2003 in the State of MN and is authorized to do business in Minnesota.
(Year)

This license is for sale the following dates: _____ to _____, in connection with the following event:

1ST NATIONAL BANK OF MILACA STREET DANCE

Location of temporary sales: 2ND AVE SW, MILACA, MN 56353

Time of sale: from 8/19/2016 a.m./p.m. to 8/20/2016 a.m./p.m.
6:00 12:01

Gambling or gambling devices will not be permitted.

Applicant has not had an application for license rejected.

Applicant has no intention or agreement to transfer the license to another person.

Applicant submits the following names of persons, including a bank for reference with which he/she has had business relations as follows:

1ST NATIONAL BANK OF MILACA

I hereby solemnly swear that the foregoing statements are true and correct to the best of my knowledge and that I agree to comply with all the provisions of the ordinance under which this license is granted.

ANNETTE M. BENDTSEN
Applicant Name (Printed)

Annette Bendtsen
Applicant's Signature

8/13/16
Date

NOTE: Licenses may be issued only to organizations who are organized in the United States and who have a local presence.

Please attach a certificate of insurance

CITY OF MILACA
255 1ST STREET EAST
MILACA MN 56353
(320) 983-3141
(320) 983-3142 FAX

Has license ever been revoked/suspended? ___ Yes No If yes, list date and explanation:

CAUTION:

Any misrepresentation made by the applicant can void coverage or result in cancellation. False or misleading answers to the following questions would constitute gross misrepresentation and **VOID COVERAGE**.

A "Loss" does not include "notice of claim." Unless, following receipt of notice, your insurer or you in the event you were self-insured made a payment in settlement of the claim or the insurer established a reserve for the loss.

A "Violation" includes any conviction on a charge brought against the applicant or any employee or agent of the applicant arising out of the illegal sale of liquor.

You must submit **LOSS RUNS** from previous carriers, if applicable, for three years preceding your request for coverage. In the event you were self-insured, please submit a listing of all claims made against your establishment during your period of self-insurance. Loss history must be submitted for each of the three years.

Coverage Information:

Liquor Liability Coverage currently in effect? Yes ___ No

Previous three years of insurance coverage prior to effective date of coverage desired:

	<u>Carrier</u>	<u>Address</u>	<u>Policy #</u>	<u>Policy Period</u>	<u>Losses and Violations</u>
1.	ILLINOIS CASUALTY			1/1/2016 - 2017	0
2.	"			1/1/2015 - 2016	0
3.	"			1/1/2014 - 2015	0

Has Liquor Liability Coverage ever been cancelled? ___ Yes No If yes, explain why: ___

Coverage is requested to take effect at 12:01 A.M. on 8/19/2016

Applicant agrees to permit contract administrator to audit applicant's books and records during normal working hours to extent deemed necessary to verify information relating to receipts from Liquor Sales and/or other matters concerning the coverage applied for.

Annette M. Berndtzel
Signature of Applicant

ANNETTE M. BERNDTSEL
Print Name

I have attached all required documents with this application Date 8/3/2016

Agency Name: _____ Agent: _____

Agent Address: _____ Email: _____

City, State, Zip: _____ Phone: _____

MINNESOTA JOINT UNDERWRITING ASSOCIATION
12400 PORTLAND AVE S STE 190
BURNSVILLE, MN 55337
1-800-552-0013 MAIN: 952-641-0260 FAX: 952-641-0274

APPLICATION FOR LIQUOR LIABILITY COVERAGE

Coverage will not be bound if the correct premium payment, written rejection (or quote in excess of 20% above plan rate), current license, and required documentation of liquor receipts are not attached. Coverage cannot be bound prior to 12:01 a.m. the day following receipt of the above.

Legal Name of Applicant BS, LLC.
(As shown on license)

Trade Name (DBA) JIGGERS GRILL + BAR

Mailing Address 130 CENTRAL AVE SO. PO BOX 126

City, State, Zip MILACA, MN 56353 County MILLE LACS

Phone 320-982-6283 Email JIGGERS.AMB@HOTMAIL.COM

Operating Location: 2ND AVE SW, MILACA, MN 56353

Classification: Primary Nature of Business: SPECIAL EVENT BEER WAGON

Check all applicable: Restaurant Bar Sports Club Winery Special Event

Seasonal Other (Explain Classification): _____

NOTE: OFF SALE FACILITIES MUST HAVE SEPARATE ENTRANCE TO QUALIFY FOR OFF SALE RATE

Check all that apply: On-Sale Only On/Off Sales Off-Sale Only

Total receipts of entire establishment (food): \$ 0 MUST Attach Proof

Gross receipts from Liquor Sales: \$ 1200 MUST Attach Proof

Gross receipts from OFF SALE: \$ 0 ON SALE: \$ 1200

Approved License or completed license application MUST accompany this form

Type of License(s) _____

License in effect? Yes No Pending (Explanation): _____

Licensing Authority: _____

Address: _____

City: _____ State: MN Zip Code: _____

License Number: _____ Effective Date: _____ Expiration Date: _____