



City Council Meeting

June 12, 2023

7:00 PM

Fridley City Hall, 7071 University Avenue N.E.

Agenda

Call to Order

Pledge of Allegiance

Proclamations/Presentations

1. Proclamation: Women of Today Founder's Day – July 1, 2023
2. Proclamation Congratulating Al-Amal School and Certificate of Achievement to Muminah N. Mohammed

Approval of Proposed Consent Agenda

Approval/Receipt of Minutes

3. Approve the Minutes from the Local Board of Appeals and Equalization Meeting of April 10, 2023
4. Approve the Minutes from the City Council Meeting of May 22, 2023
5. Receive the Minutes from the Parks and Recreation Commission Meeting of April 3, 2023
6. Receive the Minutes from the City Council Conference Meeting of May 22, 2023
7. Receive the Minutes from the Housing and Redevelopment Authority Meeting of May 4, 2023

New Business

8. Resolution No. 2023-60, Authorizing Participation of the City of Fridley in the Minnesota Local Performance Measurement Program
9. Resolution 2023-62, Approving and Authorizing Signing an Agreement with Certain Employees Represented by Local No. 514 for the City of Fridley Public Safety Department for the Years 2023 and 2024
10. Resolution No. 2023-65, Approving Special Legislation to Provide Funding for the Fridley Housing and Redevelopment Authority's Housing Programs

Licenses

- [11.](#) Resolution No. 2023-59, Approving Temporary Intoxicating Liquor Permit and Temporary Lawful Gambling Permit for Fridley Lions Club for Events to be Held During Fridley 49er Days on June 17, 2023 at Commons Park and Community Park

Claims

- [12.](#) Resolution No. 2023-64, Approving Claims for the Period Ending June 7, 2023

Adoption of Regular Agenda

Open Forum/Visitors (Consideration of Items not on Agenda – 15 minutes)

Regular Agenda

Public Hearing

- [13.](#) Resolution No. 2023-63, Approving the Issuance and Sale of Multifamily Housing Revenue Bonds (Moon Plaza Apartments Project), Series 2023, and Approving a Housing Program Pursuant to Minnesota Statutes, Chapter 462C

Old Business

- [14.](#) Interim Ordinance No. 1408, Authorizing a Study and Imposing a Moratorium on the Sale of Cannabinoid Products (Second Reading)

New Business

- [15.](#) Ordinance No. 1409, Amending the Fridley City Code to Add Chapter 35, Mobile Food Units, Amend Chapter 209, Fees and Repeal Chapter 216, Street Vending
- [16.](#) Resolution No. 2023-61, Approving and Accepting the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ending December 31, 2022

Informal Status Reports

Adjourn

Upon request, accommodation will be provided to allow individuals with disabilities to participate in any City of Fridley services, programs, or activities. Hearing impaired persons who need an interpreter or other persons who require auxiliary aids should contact the City at (763) 571-3450.



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Roberta Collins, Assistant to the City Manager

Title

Proclamation: Women of Today Founder's Day – July 1, 2023

Background

July 1, 2023, has been designated as Women of Today Founder's Day by the Minnesota Women of Today and the Fridley Women of Today organizations to recognize the many community activities of dedicated women in the City of Fridley and across the state.

Financial Impact

None.

Recommendation

Staff recommend Council proclaim July 1, 2023, as Women of Today Founder's Day.

Focus on Fridley Strategic Alignment

☐ Vibrant Neighborhoods & Places	☒ Community Identity & Relationship Building
☐ Financial Stability & Commercial Prosperity	☐ Public Safety & Environmental Stewardship
☐ Organizational Excellence	

Attachments and Other Resources

- Proclamation for Women of Today Founder's Day

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.



Proclamation

Women of Today Founder's Day

July 1, 2023

Whereas, the Minnesota Women of Today and the Fridley Women of Today have set aside July 1 to recognize the many community activities of dedicated Women of Today members across the state; and

Whereas, the Minnesota Women of Today is an organization of over 900 women in 48 communities across the state; and

Whereas, the Minnesota Women of Today and the Fridley Women of Today are dedicated to actively promoting such public awareness and service programs as: SACA Food Drive; Fridley School Supply Drive; Adopt-a-Highway; book giveaway for youth; Fridley Veterans Day luncheon; and their priority area, Crescent Cove, a hospice for youth; and

Whereas, the Minnesota Women of Today and the Fridley Women of Today provide opportunities for personal enrichment and leadership training; and

Whereas, the Women of Today believe that "Through us, great lessons can be learned, worthy deeds performed, and a hand of fellowship extended to millions of women everywhere, and [that we can] make the world a better place because we lived and served within it."

Now, therefore, be it resolved, that I, Scott J. Lund, Mayor of the City of Fridley, do hereby proclaim July 1, 2023, as **Women of Today Founder's Day** in the City of Fridley, Minnesota.

In witness whereof, I have set my hand and caused the seal of the City of Fridley to be affixed this 12th day of June, 2023.

Scott J. Lund - Mayor



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Roberta Collins, Assistant to the City Manager

Title

Proclamation Congratulating Al-Amal School and Certificate of Achievement to Muminah N. Mohammed

Background

The City of Fridley is issuing a proclamation congratulating Al-Amal School on its academic excellence and accomplishments.

A Certificate of Achievement is being presented to Muminah Mohammed for receiving a Grand Award at the 2023 International Science and Engineering Fair.

Financial Impact

None.

Recommendation

Staff issue a proclamation to Al-Amal School and a Certificate of Achievement to Muminah Mohammed.

Focus on Fridley Strategic Alignment

☐ Vibrant Neighborhoods & Places	☒ Community Identity & Relationship Building
☐ Financial Stability & Commercial Prosperity	☐ Public Safety & Environmental Stewardship
☐ Organizational Excellence	

Attachments and Other Resources

- Proclamation Congratulating Al-Amal School
- Certificate of Achievement to Muminah N. Mohammed

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.



Proclamation

Congratulating Al-Amal School

Whereas, since its establishment in 1994, Al-Amal School has consistently proven to be an exemplar of academic brilliance and excellence within the City of Fridley; and

Whereas, Al-Amal School has a stellar academic record, marked by near-perfect graduation rates and a significant percentage of students pursuing higher education, embodying their commitment to academic achievement and lifelong learning; and

Whereas, Al-Amal School has demonstrated consistent academic success, attributable to the dedication and expertise of its excellent and caring teachers, the diligent leadership of the school's administration, and the governance of the Board that has steered the institution towards a path of continuous growth, innovation, and success; and

Whereas, Al-Amal School has made an indelible mark at regional and state levels, with its students consistently earning awards in various competitions, particularly in the realm of science fairs, which testifies to their intellectual curiosity, hard work, and academic prowess; and

Whereas, Muminah N. Mohammed, a proud 11th-grade student of Al-Amal School, was awarded the prestigious Grand Award at the 2023 International Science and Engineering Fair (ISEF) held in Dallas, Texas, representing Fridley on a global platform.

Now therefore, in recognition of Al-Amal School's significant contributions to education and the community, and the positive influence it has exerted on young minds, the City Council of the City of Fridley acknowledges their academic excellence and congratulates them on their accomplishments.

In witness whereof, I have set my hand and caused the seal of the City of Fridley to be affixed this 12th day of June, 2023.

Scott J. Lund - Mayor



Certificate of Achievement

Presented to

Muminah N. Mohammed

In recognition of your outstanding achievement in winning the Grand Award at the International Science and Engineering Fair (ISEF) in Dallas, Texas. Being one of four students to represent Minnesota and the United States at the ISEF was quite an accomplishment! We congratulate you for winning this prestigious award and for your hard work and dedication in achieving this goal.

Presented this 12th day of June, 2023

Scott J. Lund, Mayor



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Roberta Collins, Assistant to the City Manager

Title

Approve the Minutes from the Local Board of Appeals and Equalization Meeting of April 10, 2023

Background

Attached are the minutes from the Local Board of Appeals and Equalization Meeting of April 10, 2023.

Financial Impact

None.

Recommendation

Staff recommend the approval of the minutes from the Local Board of Appeals and Equalization Meeting of April 10, 2023.

Focus on Fridley Strategic Alignment

- | | |
|--|---|
| ☐ Vibrant Neighborhoods & Places | ☐ Community Identity & Relationship Building |
| ☐ Financial Stability & Commercial Prosperity | ☐ Public Safety & Environmental Stewardship |
| ☒ Organizational Excellence | |

Attachments and Other Resources

- Minutes from the Local Board of Appeals and Equalization Meeting of April 10, 2023

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.



Local Board of Appeals and Equalization Meeting

April 10, 2023

7:00 PM

Fridley Civic Campus, 7071 University Avenue N.E.

Minutes

Call to Order

Mayor Lund called the Local Board of Appeals and Equalization Meeting of April 10, 2023, to order at 7:00 p.m.

Present

Mayor Scott Lund
Councilmember Dave Ostwald
Councilmember Ryan Evanson
Councilmember Ann Bolkcom
Patrick Maghrak, City Assessor
Brian Northenscold, Appraiser

Absent

Councilmember Tom Tillberry

Regular Agenda Items

New Business

1. LBAE Resolution No. 2023-01, Approving the Equalization of Assessed Valuations of Real and Personal Property in the City of Fridley

Patrick Maghrak, City Assessor, stated the purpose of the meeting is to establish an appeal process related to the January 22, 2023, valuation and classification, and reviewed the three actions the Board could take. He reviewed the responsibilities of the Board and the appeal procedures. He noted that he was contacted by a property owner who was not able to attend but wanted to appeal their valuation. Their request will be submitted into the record to preserve their ability to appeal to the County. He reviewed the 2023 assessment summary including adjustments and compared that information to the previous year.

The Council asked for more details on the homeowner who is not present and would like to appeal their value.

Mr. Maghrak provided additional details and noted that the exhibit would be included as part of the resolution that would be adopted tonight to preserve their right to appeal to the County.

Motion made by Councilmember Bolkcom to move into the record Exhibit B to the County Board of Appeals and Equalization acknowledgement property owners Anthony and Cynthia Schreiner at 7372 Symphony Street, PID 11-30-24-24-0080. Seconded by Commissioner Ostwald.

Upon a voice vote, all voting aye, Mayor Lund declared the motion carried unanimously.

Motion made by Councilmember Ostwald to adopt LBAE Resolution No. 2023-01, Approving the Equalization of Assessed Valuations of Real and Personal Property in the City of Fridley. Seconded by Commissioner Evanson.

Upon a voice vote, all voting aye, Mayor Lund declared the motion carried unanimously.

Adjourn

Motion made by Councilmember Evanson to adjourn the Local Board of Appeals and Equalization meeting. Seconded by Councilmember Ostwald.

Upon a voice vote, all voting aye, Mayor Lund declared the motion carried unanimously and the meeting adjourned at 7:14 p.m.

Respectfully Submitted,

Melissa Moore
City Clerk

Scott J. Lund
Mayor



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Roberta Collins, Assistant to the City Manager

Title

Approve the Minutes from the City Council Meeting of May 22, 2023

Background

Attached are the minutes from the City Council Meeting of May 22, 2023.

Financial Impact

None.

Recommendation

Staff recommend the approval of the minutes from the City Council meeting of May 22, 2023

Focus on Fridley Strategic Alignment

- | | |
|--|---|
| ☐ Vibrant Neighborhoods & Places | ☐ Community Identity & Relationship Building |
| ☐ Financial Stability & Commercial Prosperity | ☐ Public Safety & Environmental Stewardship |
| ☒ Organizational Excellence | |

Attachments and Other Resources

- Minutes from the City Council Meeting of May 22, 2023

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.



City Council Meeting

May 22, 2023

7:00 PM

Fridley City Hall, 7071 University Avenue NE

Minutes

Call to Order

Mayor Lund called the City Council Meeting of May 22, 2023, to order at 7:00 p.m.

Present

Mayor Scott Lund
Councilmember Dave Ostwald
Councilmember Tom Tillberry
Councilmember Ryan Evanson
Councilmember Ann Bolcom

Absent None.

Others Present

Walter Wysopal, City Manager
Ryan George, Deputy Director - Police
Joe Starks, Finance Director
Sarah Sonsalla, City Attorney

Pledge Of Allegiance

Approval of Proposed Consent Agenda

Motion made by Councilmember Evanson to adopt the proposed Consent Agenda. Seconded by Councilmember Bolcom.

Upon a voice vote, all voting aye, Mayor Lund declared the motion carried unanimously.

Approval/Receipt of Minutes

1. Approve the Minutes from the City Council Meeting of May 8, 2023.
2. Receive the Minutes from the City Council Conference Meeting of May 8, 2023.
3. Receive the Minutes from the Environmental Quality and Energy Commission (EQEC) Meeting of April 11, 2023.
4. Receive the Minutes from the Housing and Redevelopment Authority Meeting of April 6, 2023.

New Business

5. Resolution No. 2023-50, Awarding 2023 Street Rehabilitation Project No. ST2023-01.
6. Resolution No. 2023-51, Requesting No Parking Designation on 53rd Avenue.
7. Resolution No. 2023-52, Changes to Roadway Major Maintenance Financing Policy.
8. Resolution No. 2023-53, Approving Gifts, Donations and Sponsorships Received Between April 15, 2023, and May 12, 2023.
9. Resolution No. 2023-56, Approving Purchasing Agent Agreement with Bredemus Hardware Co., Inc. for Moore Lake Community Building and Site Improvements Project.
10. Resolution No. 2023-57, Approving an Anoka County SHIP Grant for a Gardening Education Program.

Claims

11. Resolution No. 2023-58 Approving Claims for the Period Ending May 17, 2023.

Adoption of Regular Agenda

Motion made by Councilmember Tillberry to adopt the regular agenda. Seconded by Councilmember Ostwald.

Upon a voice vote, all voting aye, Mayor Lund declared the motion carried unanimously.

Open Forum, Visitors: (Consideration of Items not on Agenda – 15 minutes.)

No one from the audience spoke.

Regular Agenda**New Business**

12. Interim Ordinance No. 1408 Authorizing a Study and Imposing a Moratorium on the Sale of Cannabinoid Products

Police Deputy Director Ryan George provided background information noting that the legalization of cannabinoid products has significant support in the legislature, but the current versions of the bills do not allow for local regulation or control. He reviewed cannabinoid considerations and a summary of the proposed ordinance. He indicated the next step would be to approve the first reading of the ordinance.

The Council asked if the bills considered by the legislature provide the ability for cities to impose a moratorium. Mr. George confirmed that a moratorium would be allowed and provides the ability for local jurisdictions to study the impacts and the local control that would be allowed. It was confirmed that many other cities are implementing moratoriums on THC products.

The Council noted that even though marijuana would become legalized, the State has said that it would be 12 to 18 months before licensing would be in place for sales. The Council asked about the risks that may be foreseen if the moratorium is not passed. Mr. George replied that without those licensing requirements in place, it would put the City at risk of creating an illicit marketplace.

An attorney spoke in representation of a number of business owners in Fridley and provided details on the regulations that will remain in place under the Department of Health until the new regulations become effective. The Council was asked to reevaluate its course and consider licensing rather than a moratorium. It was stated that under the legal analysis, the businesses currently selling these products could have a legal argument to continue selling as an existing nonconforming use.

The Council acknowledged that it was moving towards licensing but commented that the legislature has taken local control away. A question was also asked as to whether those selling legal low dose hemp products could continue to do so under the moratorium.

City Attorney Sarah Sonsalla provided additional clarification on the City's ability to impose a moratorium and stated that under the moratorium, those businesses would need to cease sales of the low dose hemp products as well. It was noted that the Council could amend the moratorium if it wanted to allow those sales to continue.

The Council noted that it would seem that these questions support the City pausing to conduct a study. It was noted that the Department of Health is already understaffed and therefore it would be questionable as to whether there would be adequate support to handle this additional role. The Council acknowledged that some members of the legislature admitted that they did not read the bill that made low dose hemp products legal last year and therefore the additional study seems warranted. Mr. George recommended that the Council adopt the moratorium as proposed. Ms. Sonsalla commented that the moratorium can only be in place for 12 months and could be lifted at any time if the Council feels comfortable before that time.

A business owner commented that his business exclusively sells CBD products and if this moratorium passes, he will be out of business, noting that he has a ten-year lease for his space. He stated that he followed all City codes and had approval from Mr. George before committing to the lease and opening his business.

Mr. George noted that the .3 percent hemp derived products could still be allowed if desired. A member of the Council suggested that the Council consider amending the allowed percentage to .3 in order to allow these businesses to continue to operate during the moratorium. A question was asked as to the number of businesses that fall into this category. Mr. George replied that there may be other businesses that sell these products as they are nonintoxicating. The Council requested that additional information be gathered before the second reading to consider potentially allowing the

low dose nonintoxicating products to continue to be sold. Mr. George confirmed that there have not been any issues with businesses selling these low dose, nonintoxicating products.

Motion made by Councilmember Bolkcom to approve the first reading of Ordinance No. 1408 Authorizing a Study and Imposing a Moratorium on the Sale of Cannabinoid Products. Seconded by Councilmember Tillberry.

Upon a voice vote, all voting aye, Mayor Lund declared the motion carried unanimously.

13. Resolution No. 2023-54, Approving an Increase in the Not-to-Exceed Amount of Multifamily Housing Facility Revenue Bonds that may be Issued to Finance a Multifamily Housing Project Pursuant to Minnesota Law and the Amendment of a Public Hearing Notice

Finance Director Joe Starks provided background information on this topic, including what has changed in the development request and City considerations. He stated that staff recommends approval of the draft resolution as proposed.

The Council asked why the bond amount was set at the lower amount originally. Mr. Starks replied that the original assumption was the City would be issuing only the tax-exempt portion of the bonds but has since been requested to issue the taxable bonds as well.

A representative from Roers explained that they always intended to finance with a mix of taxable and tax-exempt bonds. It was explained that the lender believed there was another issuer of the taxable bonds, but it was since determined that those bonds would need to be municipally issued bonds.

Motion made by Councilmember Tillberry to adopt Resolution No. 2023-54 Approving an Increase in the Not-to-Exceed Amount of Multifamily Housing Facility Revenue Bonds that may be Issued to Finance a Multifamily Housing Project Pursuant to Minnesota Law and the Amendment of a Public Hearing Notice. Seconded by Councilmember Bolkcom.

Upon a voice vote, all voting aye, Mayor Lund declared the motion carried unanimously.

14. Resolution No. 2023-55, Approving and Authorizing Final Budget Reappropriation for Certain Funds for the Fiscal Year Ending December 31, 2022

Mr. Starks presented a request to approve and authorize final budget reappropriation for certain funds for the 2022 fiscal year. He noted that these revisions were identified in preparation of the audit process. He provided a brief overview of the requested changes.

Motion made by Councilmember Evanson to adopt Resolution No. 2023-55 Approving and Authorizing Final Budget Reappropriations for Certain Funds for the Fiscal Year Ending December 31, 2022.

Upon a voice vote, all voting aye, Mayor Lund declared the motion carried unanimously.

Adjourn

Motion made by Councilmember Ostwald to adjourn. Seconded by Councilmember Evanson.

Upon a voice vote, all voting aye, Mayor Lund declared the motion carried unanimously and the meeting adjourned at 8:04 p.m.

Respectfully Submitted,

Melissa Moore
City Clerk

Scott J. Lund
Mayor



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Mike Maher, Director of Parks and Recreation

Title

Receive the Minutes from the Parks and Recreation Commission Meeting of April 3, 2023

Background

Attached are the minutes from the Parks and Recreation Commission meeting of April 3, 2023.

Financial Impact

None.

Recommendation

Receive the minutes from the Parks and Recreation Commission meeting of April 3, 2023.

Focus on Fridley Strategic Alignment

- | | |
|--|---|
| ☐ Vibrant Neighborhoods & Places | ☐ Community Identity & Relationship Building |
| ☐ Financial Stability & Commercial Prosperity | ☐ Public Safety & Environmental Stewardship |
| ☒ Organizational Excellence | |

Attachments and Other Resources

- Minutes from the Parks and Recreation Commission of April 3, 2023.

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.



Park Commission Meeting

April 3, 2023

7:00 PM

Fridley City Hall, 7071 University Avenue NE

Minutes

Call to Order

Chair Borman called the Parks and Recreation Commission meeting to order at 7:00 p.m.

Present

Luke Cardona
 EB Graham
 Peter Borman
 Tim Kirk
 Ken Schultz
 Don Whalen
 Mike Maher, Parks and Recreation Director

Approve Parks & Recreation Commission Agenda for April 3, 2023

Motion by Commissioner Cardona to approve the April 3, 2023 meeting agenda. Seconded by Commissioner Graham. The motion passed unanimously.

Approve Parks & Recreation Commission Minutes for March 6, 2023

Motion by Commissioner Schultz to approve the March 6, 2023 meeting minutes. Seconded by Commissioner Whalen. The motion passed unanimously.

New Business

1. Commission Check-In with Fridley Youth Sports Association (FYSA) Football

Parks and Recreation Director Mike Maher stated that this month the group is continuing with the check-ins of community groups and youth sports. He introduced the representatives from Fridley Youth Sports Association (FYSA) present tonight.

John Swanson and Jason Karsten, FYSA, provided an update on participation numbers from the past year, fees and scholarships. The program uses the high school fields for practice and is able to keep its fees low because of donations and fundraising. It was noted that the lighting could be improved at the City field used by the program.

Mr. Maher provided the concept for improvements at Commons Park, which are tentatively scheduled for 2025. He stated that the lighting would be updated at that time but noted that maintenance would inspect the lighting for the fields this year to make sure everything is working.

The Commission thanked the representatives from FYSA for their contributions to the program and the community.

2. Commission Introduction to Kizen Academy Soccer Club

Mr. Maher introduced the representatives from Kizen Academy Soccer Club.

Will Totimeh and Jeremy Harris, Kizen Academy Soccer Club, introduced themselves and provided information on how their nonprofit sports program evolved to provide access to soccer programming for families with lesser financial means. The program runs year-round using both indoor and outdoor facilities. They were interested in working with the City to find indoor space that would be accessible for the program, as the pricing for the current space continues to increase. They provided information on programming, registration, demographics, and fees. Information was also provided on challenges the program currently faces with indoor and outdoor space, costs for use of those spaces, and equipment storage. It was noted that children at the park often ask to join the program and are able to do so because of the mission of the program.

Mr. Maher stated that staff has met with the organization informally and has been reviewing the field and facility use policy, which will be discussed later on the agenda. It was noted that the program had been using Commons Park because of the ease of accessibility, but they are exploring potential use of other locations.

The Commission hoped that there could be an agreement developed which would avoid the first come, first serve scenario for the program.

3. Fridley Parks and Recreation Scholarship Program Policy Options

Mr. Maher provided background information on the current scholarship program and then provided different options for the Commission to consider related to eligibility, program format, and eligible programs. He also reviewed programs that are available to the public at no cost.

The Commission suggested linking volunteer hours for those receiving financial scholarships and it was explained that the scholarships are not eligible for youth sports association. Examples were provided of the parks and recreation programming. The Commission recognized that the current process is cumbersome to staff and residents.

Motion by Commissioner Cardona to support option three for the scholarship program eligibility. Seconded by Commissioner Whalen. The motion passed unanimously.

The Commission asked for information on the demographics utilizing the scholarship program. It was confirmed that once a family qualifies, they typically continue to utilize the program. The Commission expressed support for those receiving assistance to have some “skin in the game” in terms of participating in registration costs, even to a small degree.

Motion by Commissioner Graham to support option two for the scholarship program format. Seconded by Commissioner Cardona. The motion passed unanimously.

4. Outdoor Athletic Field/Facility Rental Guidelines and Fees

Mr. Maher provided an overview of the existing field and facility use policy including user groups and user fees as well as proposed changes to consider.

The Commission noted that the requirement for 85 percent of participants to be residents seems high as the user groups that have come forward to provide updates are not at that rate. The Commission asked if there is verification of the qualification for the different user group categories. There was also discussion of the issue of public parks versus requiring user groups to schedule time for use. Mr. Maher provided details on how staff works with the user groups to determine proper field use and related fees. He noted that having the proper policy provides staff with the necessary tools.

The Commission asked staff to further research whether nonprofits supporting Fridley youth could be moved to category A and whether the residency requirement should be lowered. Mr. Maher agreed that the residency requirement should be softened, perhaps between 60 and 75 percent. He also did not believe that there were many nonprofits of that type that would put a burden on the fields and therefore did not see an issue with moving that group to category A.

Old Business

Staff Reports

5. Springbrook Nature Center Report

Mr. Maher provided a brief overview of the written report.

6. Fridley Parks and Recreation Division Report

Mr. Maher provided an overview of the report, highlighting upcoming programming and event opportunities. He also provided an update on the implementation of the parks improvement plan projects planned for 2023 and funding requests.

7. Park Maintenance and Construction Report

Mr. Maher provided an overview of the written report noting that staff is working to transition from winter to spring activities and have been busy with snow removal.

Unfinished Business

None

Adjournment

Commissioner Kirk made the motion to adjourn the meeting at 9:14 p.m. Seconded by Commissioner Whalen. The motion passed unanimously.

Respectfully submitted,

Amanda Staple
Recording Secretary



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Roberta S. Collins, Assistant to the City Manager

Title

Receive the Minutes from the City Council Conference Meeting of May 22, 2023

Background

Attached are the minutes from the City Council Conference Meeting of May 22, 2023.

Financial Impact

Recommendation

Staff recommend the Council receive the minutes from the City Council Conference Meeting of May 22, 2023.

Focus on Fridley Strategic Alignment

- | | |
|--|---|
| ☐ Vibrant Neighborhoods & Places | ☐ Community Identity & Relationship Building |
| ☐ Financial Stability & Commercial Prosperity | ☐ Public Safety & Environmental Stewardship |
| ☒ Organizational Excellence | |

Attachments and Other Resources

- Minutes from the City Council Conference Meeting of May 22, 2023

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.



Council Conference Meeting

May 22, 2023

5:30 PM

Fridley City Hall, 7071 University Avenue NE

Minutes

Roll Call

Present: Mayor Scott Lund
 Councilmember Dave Ostwald
 Councilmember Tom Tillberry
 Councilmember Ryan Evanson
 Councilmember Ann Bolkcom

Absent: None

Others Present: Walter Wysopal, City Manager
 Joe Starks, Finance Director
 Jim Kosluchar, Public Works Director
 Scott Hickok, Community Development Director
 Melissa Moore, City Clerk
 Stacy Stromberg, Planning Manager
 Rachel Workin, Environmental Planner
 James Lange, Fire Marshal

Items for Discussion

1. Mississippi River Corridor Critical Area Chapter Updates.

Staff provided a report and updates on the new rules and changes for the Mississippi River Corridor Critical Area.

2. Recodification Update.

Melissa Moore, City Clerk, provided an update on the completion of update for Title 3 (Health, Safety, and Welfare), and the work being done on the chapters in Title 4, Public Nuisance.

3. Mobile Food Units.

Staff presented an update on their work drafting a chapter for the Fridley City Code that addresses Mobile Food Units, also known as "food trucks."

4. Finance Update – April 2023 Year-to-Date.

Joe Starks, Finance Director, provided a year-to-date financial update for the City.



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Roberta Collins, Assistant to the City Manager

Title

Receive the Minutes from the Housing and Redevelopment Authority Meeting of May 4, 2023

Background

Attached are the minutes from the Housing and Redevelopment Authority meeting of May 4, 2023.

Financial Impact

None.

Recommendation

Staff recommend Council receive the minutes from the Housing and Redevelopment Authority meeting of May 4, 2023.

Focus on Fridley Strategic Alignment

- | | |
|--|---|
| ☐ Vibrant Neighborhoods & Places | ☐ Community Identity & Relationship Building |
| ☐ Financial Stability & Commercial Prosperity | ☐ Public Safety & Environmental Stewardship |
| ☒ Organizational Excellence | |

Attachments and Other Resources

- Minutes from the HRA Meeting of May 4, 2023

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.



Housing and Redevelopment Authority

May 4, 2023

7:00 PM

Fridley City Hall, 7071 University Avenue NE

Minutes

Call to Order

Chairperson Showalter called the Housing and Redevelopment Authority meeting to order at 7:00 p.m.

Present

Elizabeth Showalter
Gordon Backlund
Troy Brueggemeier
Rachel Schwankl

Absent

Kyle Mulrooney

Others Present

Paul Bolin, HRA Assistant Executive Director

Action Items

1. Approval of Expenditures

Motion by Commissioner Brueggemeier to approve the expenditures. Seconded by Commissioner Schwankl.

Upon a voice vote, all voting aye, Chair Showalter declared the motion carried unanimously.

2. Approval of April 6, 2023, Meeting Minutes

Motion by Commissioner Backlund to approve the meeting minutes of April 6, 2023, as presented. Seconded by Commissioner Brueggemeier.

Upon a voice vote, all voting aye, Chair Showalter declared the motion carried unanimously.

3. Approval of Resolution No. 2023-11, Approving Purchase of Lot 18, Block 1, Spring Valley Addition

Paul Bolin, HRA Assistant Executive Director, provided background information on the HRA acquisition of property in the area of discussion. He stated that after negotiation, an agreement has been reached to purchase the proposed property which would add to the contiguous area.

Motion by Commissioner Bruggemeier to approve HRA Resolution No. 2023-11, approving the purchase agreement and authorizing the Assistant Executive Director to sign documents needed to close on the property legally described as Lot 18, Block 1, Spring Valley, Anoka County, Minnesota. Seconded by Commissioner Schwankl.

Upon a voice vote, all voting aye, Chair Showalter declared the motion carried unanimously.

Informational Items

4. Update on Housing Program

Mr. Bolin provided an update on the different housing programs as well as year-to-date participation data.

Action Items (Continued)

2. Approval of April 6, 2023, Meeting Minutes (Continued).

The Commission asked to reconsider the minutes and two non-substantive changes were provided.

Motion by Commissioner Backlund to approve the meeting minutes of April 6, 2023, as amended. Seconded by Commissioner Schwankl.

Upon a voice vote, all voting aye, Chair Showalter declared the motion carried unanimously.

Adjournment

Motion by Commissioner Brueggemeier to adjourn the meeting. Seconded by Commissioner Schwankl.

Upon a voice vote, all voting aye, Chairperson Showalter declared the motion carried and the meeting adjourned at 7:07 p.m.

Respectfully submitted,

Melissa Moore
City Clerk



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Melissa Moore, City Clerk

Olivia Raun, Communications and Engagement Specialist

Title

Resolution No. 2023-60, Authorizing Participation of the City of Fridley in the Minnesota Local Performance Measurement Program

Background

In 2019, the City of Fridley (City), under the general direction of the City Manager, formed the Process Management (PMT) to improve the efficiency and efficacy of City programs and services. The PMT consists of staff from each department, trained in continuous improvement, performance measurement, problem solving and leadership development.

The PMT seeks to improve businesses processes by reducing waste and enhancing quality. To measure the success and efficacy of key City processes, the PMT facilitates the City's participation in the Minnesota Local Performance Measurement Program (Program) offered by the Office of the State Auditor (OSA) in conjunction with the Council on Local Results and Innovation.

By formally reporting on at least 10 of the 29 performance measures identified by the Program to the OSA, the City may receive two benefits: 1) a per capita reimbursement of \$0.14, and 2) an exemption from property tax levy limit if they are in effect. To participate in the Program, the City Council must adopt the minimum number of performance measures, report them at least annually to residents and submit a document detailing the actual results.

Based on those criteria, the PMT drafted the 2022 Performance Measures Report (attached), which outlines 18 performance measures. In addition to the benefits of the Program, the City will use the report to inform policy decisions, such as budget recommendations, and to gauge the success of City programs and services. Upon approval, the City would also post the report on its website.

Financial Impact

Staff estimate the City will receive a reimbursement of approximately \$4,100.

Recommendation

Staff recommends the approval of Resolution No. 2023-60.

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Focus on Fridley Strategic Alignment

<u>X</u> Vibrant Neighborhoods & Places	<u>X</u> Community Identity & Relationship Building
<u>X</u> Financial Stability & Commercial Prosperity	<u>X</u> Public Safety & Environmental Stewardship
<u>X</u> Organizational Excellence	

Attachments and Other Resources

- Resolution 2023-60
- 2022 Performance Measurement Report

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Resolution No. 2023-60

Authorizing Participation of the City of Fridley in the Minnesota Local Performance Measurement Program

Whereas, in 2010, the Minnesota Legislature created the Council on Local Results and Innovation; and

Whereas, the Council on Local Results and Innovation developed a standard set of performance measures that will aid residents, taxpayers, and state and local elected officials in determining the efficacy of counties in providing services and measure residents' opinion of those services; and

Whereas, benefits to the City of Fridley are outlined in Minnesota Statute § 6.91 and include eligibility for a reimbursement; and

Whereas, any city participating in the comprehensive performance measurement program is also exempt from levy limits for taxes, if levy limits are in effect; and

Whereas, the City Council has adopted and implemented at least 10 of the performance measures, as developed by the Council on Local Results and Innovation, and a system to use this information to help plan, budget, manage and evaluate programs and processes for optimal future outcomes.

Now, therefore, be it resolved, that the City Council of the City of Fridley will report the results of the performance measures to its citizenry by the end of the year through publication, posting on the City's website, or through a public hearing at which the budget and levy will be discussed and public input allowed.

Be it further resolved, the City Council of the City of Fridley will submit to the Office of the State Auditor the actual results of the performance measures adopted by the City.

Passed and adopted by the City Council of the City of Fridley this 12th day of June, 2023.

Scott J. Lund – Mayor

Attest:

Melissa Moore – City Clerk



2022

Performance Measures Report



City of Fridley | 2022 Performance Measurement Report

In 2019, the City of Fridley (City), under the general direction of the City Manager, formed the Process Management Team (PMT) to improve the efficacy of City programs and services. The PMT consists of staff from each department, trained in continuous improvement, performance measurement, problem solving and leadership development.

The PMT seeks to improve business processes by reducing waste and enhancing quality. To measure the success and efficacy of key City processes, the PMT facilitates the City's participation in the Minnesota Local Performance Measurement Program (Program) offered by the Office of the State Auditor (OSA) in conjunction with Council on Local Results and Innovation.

By formally reporting on at least 10 of the 29 performance measures identified by the Program to the OSA, the City may receive two benefits: 1) A per capita reimbursement of \$0.14, and 2) An exemption from property tax levy limit if they are in effect. To participate in the Program, the City Council must adopt the minimum number of performance measures, report them at least annually to residents and submit a document detailing the actual results.

Within the report, there is a full overview of the elected performance measures data as well as individual data sets and descriptions of the measurements. Descriptions include what data is being measured, why the data is important and what the results mean for the City of Fridley.

On June 12, 2023, the Fridley City Council adopted a resolution authorizing the Performance Measurement Committee to submit the 2022 Performance Measurement Report to the Office of the State Auditor.

PMT Members

Melissa Moore, City Manager's Office
 Olivia Raun, Communications & Engagement
 Mikey Oman, Employee Resources
 Cody Rossetti, Parks and Recreation
 Jessica Nelson-Roehl, Parks and Recreation
 John Odenthal, Public Works
 Anna Smieja, Finance

Danielle Herrick, City Manager's Office
 Stacy Stromberg, Community Development
 Jeannie Benson, Public Works
 Maddison Zikmund, Public Safety - Fire
 Karen Fischer, Public Safety - Police
 Touyia Lee, Public Works



City of Fridley Standard Performance Measures

For the Year Ended December 31, 2022

Item 8.

General	2018	2019	2020	2021	2022
Percentage change in Taxable Market Value	6.56%	12.81%	12.08%	6.29%	5.84%
Nuisance code enforcement cases per 1,000 population	49.35	58.72	33.86	35.18	28.63
Bond rating	Aa2	Aa2	Aa2	Aa2	Aa2
Accuracy of post election audit	Not selected for audit	Not selected for audit	Not selected for audit	Not selected for audit	100%
Police Services					
Part I Crime Rates	1,100	1,148	1,329	1,312	1,400
Part II Crime Rates	1,461	1,163	1,007	842	796
Part I Crime Clearance Rates	26%	28%	24%	32%	31%
Part II Crime Clearance Rates	52%	52%	42%	50%	48%
Average police response time	3:12 Minutes	3:33 Minutes	3:53 Minutes	5:39 Minutes	5:39 Minutes
Fire & EMS Services					
Insurance industry rating of fire services	Class 3	Class 3	Class 3	Class 3	Class 3
Average fire response time	6:00 Minutes	5:47 Minutes	6:07 Minutes	6:07 Minutes	5:38 Minutes
Fire calls per 1,000 population	91	94	114	102	112
Number of fires with losses resulting in investigation	45	44	39	40	31
Streets					
Average city street pavement condition rating	6.92	6.50	6.84	6.80	6.81
Expenditures for road rehabilitation per paved lane mile rehabilitated	N/A	\$194,894	\$213,794	\$210,025	\$212,700
Percentage of all jurisdiction lane miles rehabilitated in a year	0%	0.51%	3.148%	2.58%	1.58%
Average hours to complete road system during snow event	7.33	6.28	7.39	7.25	7.25
Water					
Operating cost per one million gallons of water pumped/produced	\$1,846	\$1,957	\$1,868	\$1,886	\$1,987
Sanitary Sewer					
Number of sewer blockages on city system per 100 connections	.060	.048	.036	.012	.071



General: Market Value, Code Enforcement, Bond Rating, Elections

Taxable Property Market Value	2018	2019	2020	2021	2022
Percentage change	6.56%	12.81%	12.08%	6.29%	5.84%
Taxable Market Value	\$2,411,702,930	\$2,720,564,453	\$3,049,186,337	\$3,240,926,104	\$3,977,804,222

Source: Anoka County and City Assessing Division

Percent Change in the Taxable Market Value

What is it?

As a local taxing jurisdiction, property taxes are the principal funding source for the City and its operations. For some real property, a portion of its market value may be excluded from taxation, such as the Homestead Market Value Exclusion. Once a taxing jurisdiction applies those exclusion, the market value becomes the Taxable Market Value (TMV).

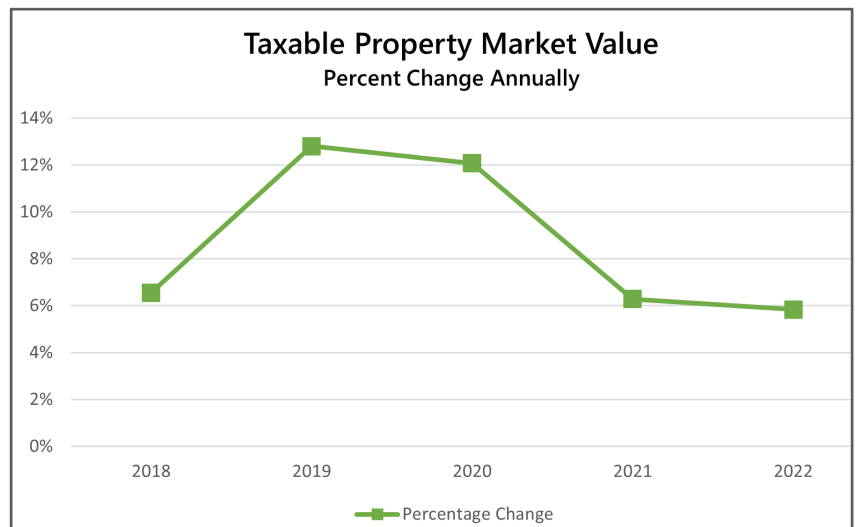
Why does it matter?

The City uses the TMV to help determine the tax liability for each property within its jurisdiction. Usually, when the TMV for the City increases, the property tax rate decreases, and a property pays less in City property taxes. In other words, when the City grows and there are more properties to pay taxes, they can all pay a little less.

What does the data tell us?

Over the past five years the City has experienced growth in its TMV. 2019 and 2020 were an anomaly triggered by historically low interest rates, pandemic-related stimulus and historically low housing inventory. The percentage in the TMV has stabilized to an average growth rate of 6% as tax capacity is shifting from residential to commercial, industrial and apartment properties.

The redevelopment of Holly Center, the completion of Fridley Station Village apartments and the Fridley Senior Addition have added additional tax base to the City.





General: Market Value, Code Enforcement, Bond Rating, Elections

Nuisance Code Enforcement Cases	2018	2019	2020	2021	2022
Cases per year	1,369	1,629	992	1,041	868
Population per year	27,742	27,742	29,300	29,590	30,313
Cases per 1,000 residents	49.35	58.72	33.86	35.18	28.63

(# of cases/population) X 1,000 = Cases per 1,000 population, Source: City Planning Division & Population ASC Source

Nuisance Code Enforcement Cases (Per 1,000 Residents)

What is it?

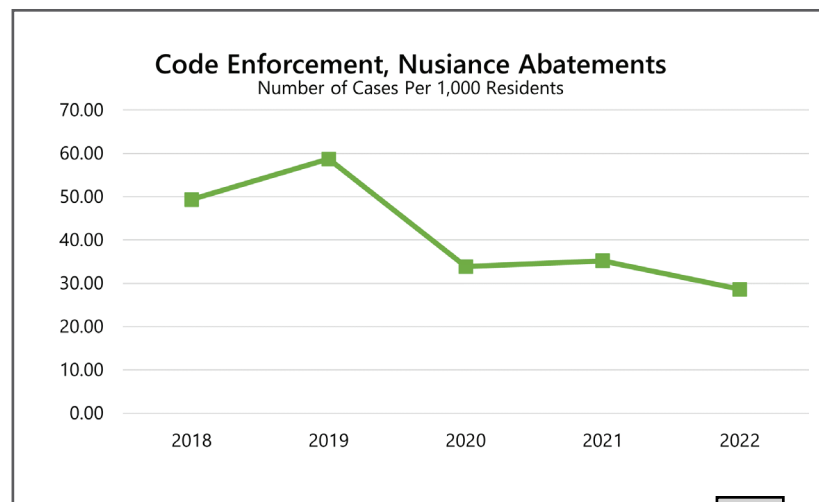
The City must preserve and protect the general welfare of its residents, including the abatement and prevention of public nuisances. Minnesota Statute § 561.01 states "Anything which is injurious to health, or indecent or offensive to the senses, or an obstruction to the free use of property, so as to interfere with the comfortable enjoyment of life or property, is a nuisance."

Why does it matter?

Public nuisance ordinances are designed to preserve the peace, quality of life, morals and public health of a community. The Fridley City Code regulates a number of activities to prevent the creation of public nuisance, including: compost, garbage and yard waste storage; exterior storage; fences; housing and lawn maintenance; home occupations; noise; vehicle parking, sale and storage; and vision safety. These efforts make the City a safe, vibrant, friendly and stable home for families and businesses.

What does the data tell us?

Between 2017-2019, nuisance code enforcement cases per 1,000 residents rose due to a renewed compliance effort and the expansion of the Fridley City Code to include back or rear yard storage in 2019. The cases dropped in 2020 due to a decrease in bank-owned properties and code enforcement visits due to the COVID-19 health pandemic. In 2021 and 2022 nuisance code enforcement cases have returned to more typical caseloads for City operations.





General: Market Value, Code Enforcement, Bond Rating, Elections

Moody Bond Rating	2018	2019	2020	2021	2022
Rating	Aa2	Aa2	Aa2	Aa2	Aa2

Source: Moody's Investor Services

Bond Rating

What is it?

On occasion, the City issues debt, known as bonds, to support capital improvements (e.g., road rehabilitation). The process tends to be similar to a mortgage used for a home – a financial institution lends money to the City and the City agrees to repay it with interest over many years. To verify the City's ability to make those payments, it receives a bond rating from an independent agency, Moody's Investor Services (Moody's). The agency evaluates the City on several factors, such as economic stability, management practices and financial performance.

Why does it matter?

A bond rating may be thought of as a measure of risk or the likelihood that the City would not be able to make debt service payment, also known as default. Therefore, a financial institution uses the bond rating to determine the cost to the City to borrow money – expressed as a higher or lower interest rate. The higher the bond rating, the lower the interest rate and vice versa. In some situations, a lower bond rating (higher interest rate) could cost hundreds of thousands of dollars in additional interest costs.

What does the data tell us?

The City maintains an Aa2, or the third highest, bond rating from Moody's. The most recent bond rating (2022) notes the healthy financial reserves, stable operations and strong redevelopment activities.



General: Market Value, Code Enforcement, Bond Rating, Elections

Election Cycle	2017	2018	2019	2021	2022
Accuracy of post election elected	Not Selected for Audit	Not Selected for Audit	Not Selected for Audit	Not Selected for Audit	100%

Source: City Clerk Division

Accuracy of Post-Election Audit Results

What is it?

According to the Office of the Secretary of State, "Minnesota Statute § 206.89 states that after every state general election, Minnesota counties perform a post-election review of election results returned by the optical scan ballot counters used in the state. The review is a hand count of the ballots for each eligible election (US President, US Senator, US Representative and Governor) in the selected precincts compared with the results from the voting system used in those precincts."

For Anoka County (County), the County Canvassing Board must conduct a review of at least four precincts, or three percent of the total number of precincts in the County, whichever is greater. The precincts must be selected randomly.

Why does it matter?

Post-election audits allow the City, other levels of government and the public to verify election results, deter voter fraud, discover errors and promote confidence in the election(s) process. In turn, the review helps the City improve internal processes and service delivery.

What does the data tell us?

The City had not been selected for audit for several years. In 2022 the Anoka County Canvassing Board randomly selected Ward 2 Precinct 1 for a post election audit. Ballots were hand counted by Election Judges for Governor, United States Representative and Secretary of State. Results of the hand count matched the results reported by the City's vote counting equipment from Election Day.



Police Services: Crime Rates, Clearance Rates and Response Times

	2018	2019	2020	2021	2022
Part I Crime	1,100	1,148	1,329	1,312	1,400
Part II Crime	1,461	1,163	1,007	842	796
Total	2,561	2,311	2,336	2,154	2,196

Source: City Police Division

Part I and Part II Crime Rates

What is it?

Crimes committed by perpetrators are classified as either Part I or Part II crimes. Part I crimes include homicide, sexual assault, robbery, aggravated assault, burglary, larceny-theft (shoplifting, pickpockets), motor vehicle theft, and arson. Part II crimes include other assaults, forgery and counterfeiting, fraud, embezzlement, stolen property (buying, receiving, possessing), prostitution, sex offenses, drug abuse violations, offenses against family and children, driving under the influence, drunkenness, disorderly conduct and all other offenses.

Why does it matter?

This data reported by the Department of Public Safety reflects the City's commitment to promoting public safety. Partnering with the community through engagement, leadership and education, assists in keeping Part I and Part II crime rates low.

What does the data tell us?

The Police Division responds to thousands of calls for service each year. Generally, Fridley experiences the same trends as the national average for both classifications and is similar to comparable surrounding communities.

Part I Crimes remained steady in 2022. At the same time, less violent Part II Crimes decreased to the lowest rate in five years. These changes were also consistent with the national average. In Fridley, the Police Division saw a decline in fraud and forgery, which may be attributed to businesses taking stronger actions regarding accepting checks and credit cards.



Police Services: Crime Rates, Clearance Rates and Response Times

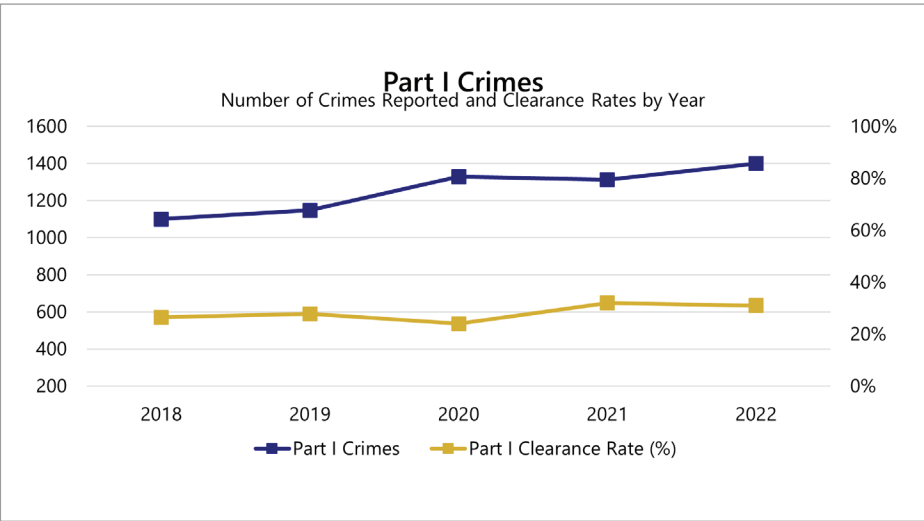
	2018	2019	2020	2021	2022
Part I Clearance Rate (%)	26%	28%	24%	32%	31%
Part II Clearance Rate (%)	52%	52%	42%	50%	48%

Source: City Police Division

Part I and Part II Clearance Rates

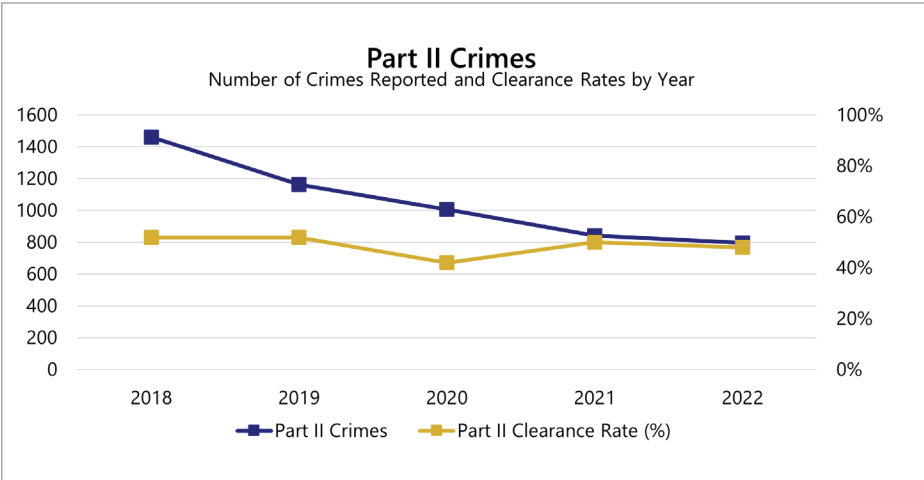
What is it?

Clearance rates measure the number of calls for service involving Part I and Part II crimes leading to various resolutions including warnings, citations or even arrests. The clearance rate is calculated by dividing the number of crimes that are cleared by the total number of crimes recorded.



Why does it matter?

The Police Division promotes the safety of the community and the feeling of security through the maintenance of law and order. This includes following through and applying legal penalties for violations.



What does the data tell us?

Evaluating the rate at which Part I and Part II crimes are cleared is often used as a measure of effectiveness in solving crimes.



Police Services: Crime Rates, Clearance Rates and Response Times

	2018	2019	2020	2021	2022
Average police response time	3:12 minutes	3:33 minutes	3:53 minutes	5:39 minutes	5:39 minutes

Source: City Police Division

Average Police Response Time

What is it?

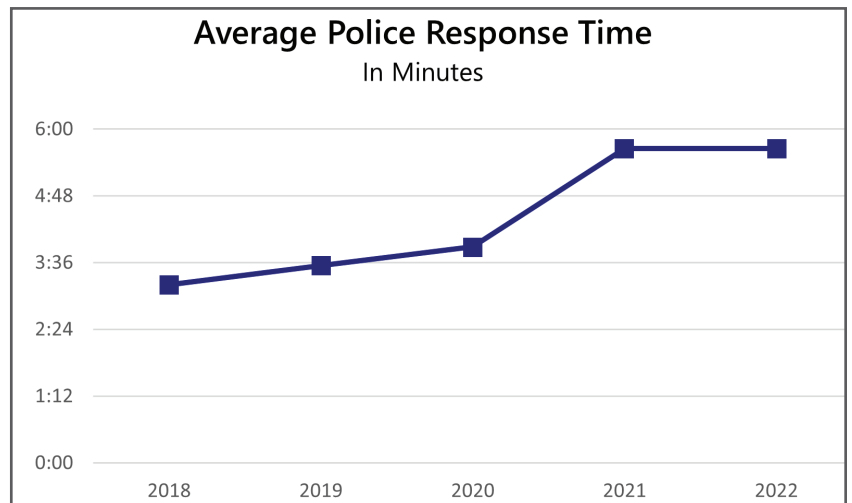
The average police response time details calls for service through the Anoka County Dispatch Center. The times do not reflect calls for service initiated by staff in the field. The measurement analyzes the amount of time from when an officer was sent on a call, to when the officer indicated they arrived on scene.

Why does it matter?

The Police Division promotes the safety of the community and the feeling of security through the maintenance of law and order, crime prevention, timely response to requests for police service, and positive contacts with the public.

What does the data tell us?

Response times saw an increase in 2021. This is due to new hires, training shifts, and operating at shift minimums. New officers can take a bit longer to respond to calls as they learn the layout of the City, and lower priority calls have had to wait longer than usual to be resolved due to staffing.



However, this increase in response time does not apply to urgent calls. Anoka County dispatch prioritizes calls on a scale of 1-5. Level 1 and 2 calls are urgent. If all Fridley officers are engaged in calls for service when an urgent call comes in, the City has mutual aid agreements with neighboring communities.



	2018	2019	2020	2021	2022
Insurance industry rating of fire services	Class 3	Class 3	Class 3	Class 3	Class 3

Source: City Fire Division

Insurance Industry Rating of Fire Services (Rating/Every 5 Years)

What is it?

A company called Insurance Services Office (ISO) creates ratings for fire departments and their surrounding communities. An ISO fire insurance rating, also referred to as a fire score or Public Protection Classification (PPC), is a score from one to 10 (one is the best, 10 is the worst) that indicates how well-protected your community is by the fire service. Insurers then use it to help set business and homeowner insurance rates. The more well-equipped a fire service is to put out a fire, the less likely houses will be lost to a structure fire. There is less risk to the home, and therefore it is less expensive to insure.

Why does it matter?

In order to maintain a good ISO rating, a city must demonstrate their ability to provide fire protection through many different areas, such as the ability to deliver a minimum amount of water to a fire through well-maintained fire hydrants, having fire engines that deliver a minimum amount of water in gallons per minute (GPM), maintaining enough fire engines for the city’s size, and staffing fire stations with the minimum amount of trained firefighters.

What does the data tell us?

The Fire Division has been able to maintain an ISO rating of Class 3 consistently over the years, according to the Public Protection Classification Summary Report (PPC). The results are based on emergency communication, fire department equipment and operations, city water supply, and community risk reduction surveys. This rating is typical of a city the size of Fridley.



	2018*	2019	2020	2021	2022
Fire calls per 1,000 population	91	94	114	102	112

Source: City Fire Division. *In 2018, fire response changed for medical-related calls. Allina began providing primary response for medicals and fire response was reserved for priority medical calls. This accounts for the difference from 2018 and 2019.

Fire Calls per 1,000 Population

What is it?

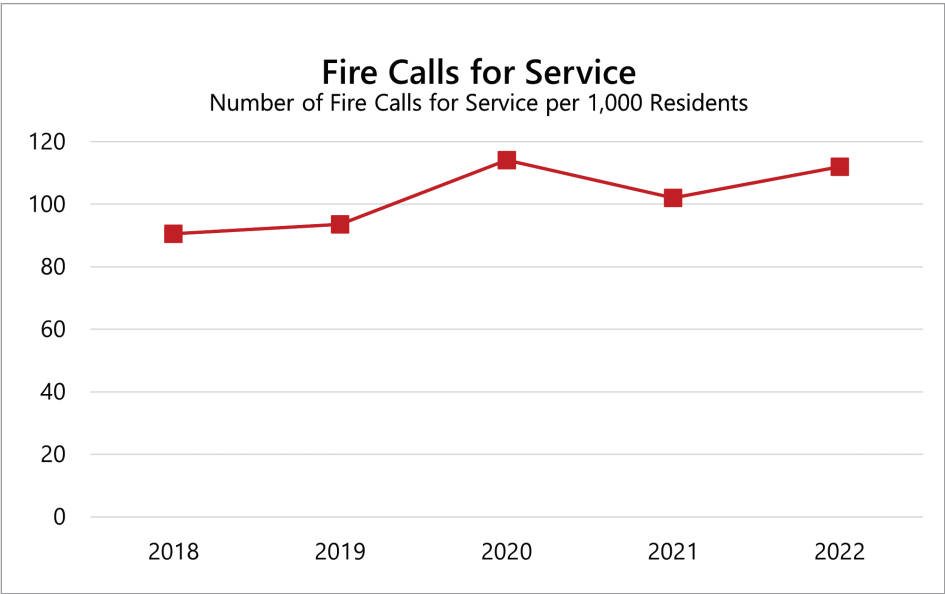
The Fire Division responded to 3,372 emergency calls in 2022. Based on the number of calls and total residents, there were 112 emergency responses per 1,000 Fridley residents.

Why does it matter?

The Fire Division projects an increase of more than 14 percent in emergency response calls over the next few years. This is based on the planned future residential housing and multi-story developments that lead to an estimated increase of 4,000 residents. The increase will determine future growth, staffing, equipment, and the supply needs of the division.

What does the data tell us?

In 2020, the Fire Division began responding to medical calls related to the pandemic, which speaks to that year’s increase. 2021 and 2022 numbers should demonstrate the City’s new average calls for service for a slightly increasing population.





	2018	2019	2020	2021	2022
Average fire response time	6 minutes	5:47 minutes	6:07 minutes	6:07 minutes	5:38 minutes

Source: City Fire Division

Average Fire Response

What is it?

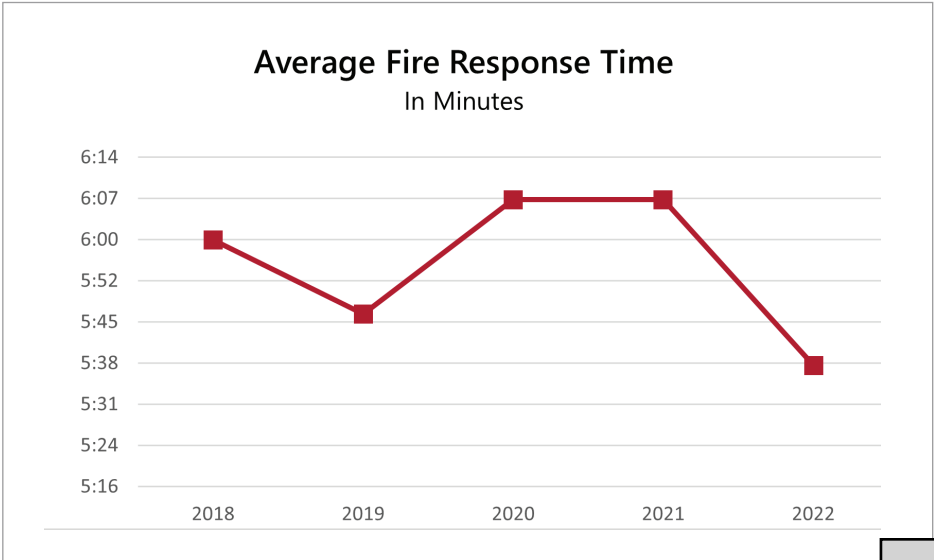
When fire services analyze their response times, they are really analyzing seconds in time. For example, the National Fire Protection Association (NFPA) 1710 standard states that “[T]he fire department’s fire suppression resources shall be deployed to provide for the arrival of an engine company within a 240-second travel time (four minutes) to 90 percent of the incidents.” That means every second counts, including call answering time (15 seconds), call processing time (60 seconds), and turnout time (80 seconds). For the City’s paid-on-call firefighters, response time from home is approximately 6-10 minutes.

Why does it matter?

When measuring the effectiveness of fire protection services, response times are the key indicator. It determines if more resources are needed to effectively serve and protect communities. Therefore, it is crucial that local governments take these statistics seriously and allocate resources according to the specific needs of their local fire departments.

What does the data tell us?

The decrease in response time is related to an update to how the City reports response times. Now following industry best practices, the City reports response times for the first arriving fire apparatus with two or more personnel on board.





	2018	2019	2020	2021	2022
Number of fires with loss resulting in investigation	45	44	39	40	31

Source: Fire Division

Number of Fires Resulting in Investigation and Financial Loss

What is it?

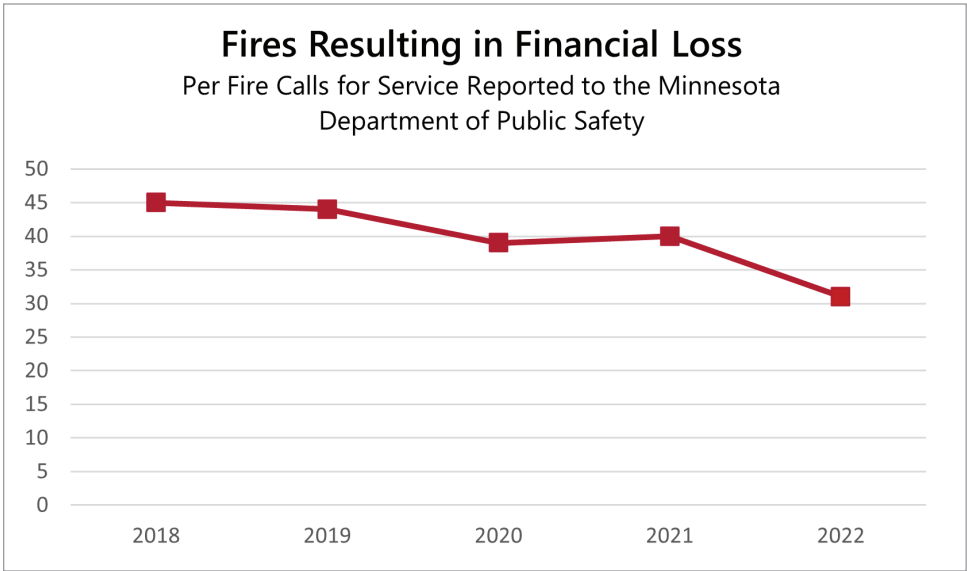
U.S. fire departments have reported an estimated 358,500 residential home fires each year. On average, there were about 2,695 deaths, 12,000 injuries and property damage averaging \$7 billion throughout the U.S. per year. Residential home fires usually start from open flames, accidents, and cooking, among other causes.

Why does it matter?

Documenting fires that resulted in investigation and financial losses as a result of the fires is a crucial tool in decision-making and helping to reduce loss to life/property due to fires. Estimating financial loss and property value are important pieces of data when assessing fire response at local, state and national levels.

What does the data tell us?

The data represents a general plateau of fires resulting in a financial loss. The Fire Division has been effective in limiting the number of significant fires and providing the same level of service, even as the city has grown in value and population with residential development.





Public Works: Streets, Water and Sanitary Sewer

	2018	2019	2020	2021	2022
Average City street pavement condition rating	6.92	6.5	6.84	6.8	6.81

Source: Engineering Division

Average City Street Pavement Condition Rating

What is it?

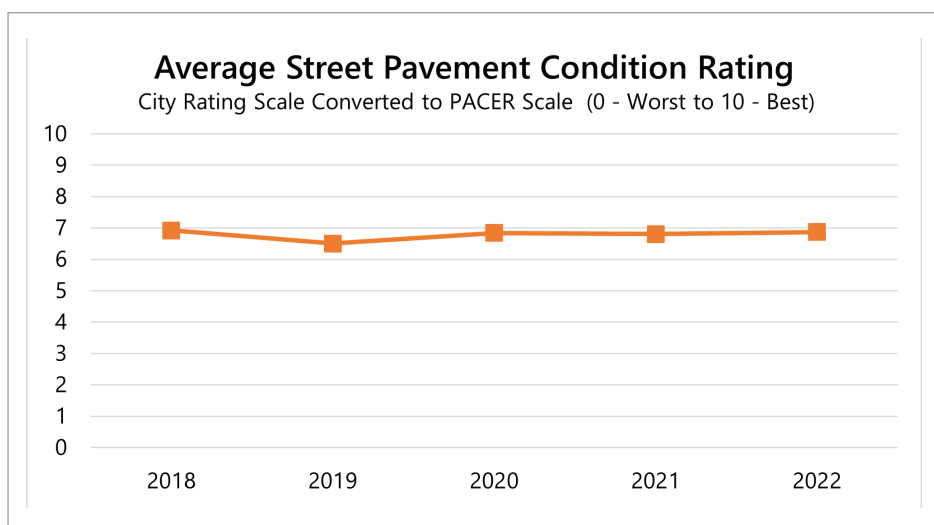
Public Works employees inspect City streets each year. Each street is given a rating on the Pavement Surface Evaluation and Rating (PASER) scale based on cracks, utility cuts and imperfections on the roadway. On the scale, zero is the worst and 10 is the best. Data previous to 2019 was based off of a unique Fridley scale. 2019 was the first year on the PASER system, which has a different rating methodology. Ratings prior to 2019 were converted to the new system.

Why does it matter?

Regular roadway minor maintenance methods such as roadway and crack sealing and micro surfacing are cost-effective approaches to maintaining pavement in relatively good condition. If a roadway has too low of a rating, minor maintenance is ineffective, and it will need to be reconstructed entirely – which is much more expensive. Continued maintenance helps slow the aging of the pavement. However, once the pavement is 50-60 years old, too much minor maintenance is needed, and a full rehabilitation is often the most efficient method of maintaining pavement quality.

What does the data tell us?

The ratings are used to determine whether the City's road maintenance and rehabilitation strategies are satisfactory, and if there is a change in pavement quality, which may indicate that a higher or lower investment in pavement preservation is required. Year-over-year data may not reflect a fully accurate comparison due to conversion of old ratings to the new PASER system. The rating remained nearly the same in 2022 due to the offset of degradation through improvements and repairs made.





Public Works: Streets, Water and Sanitary Sewer

	2018*	2019	2020	2021	2022
Expenditures for road rehabilitation per paved lane mile rehabilitated	N/A	\$194,894	\$213,794	\$210,025	\$212,700

Source: Engineering Division *There was no rehabilitation project for 2018.

Expenditures for Road Rehabilitation Per Paved Line Mile Rehabilitated

What is it?

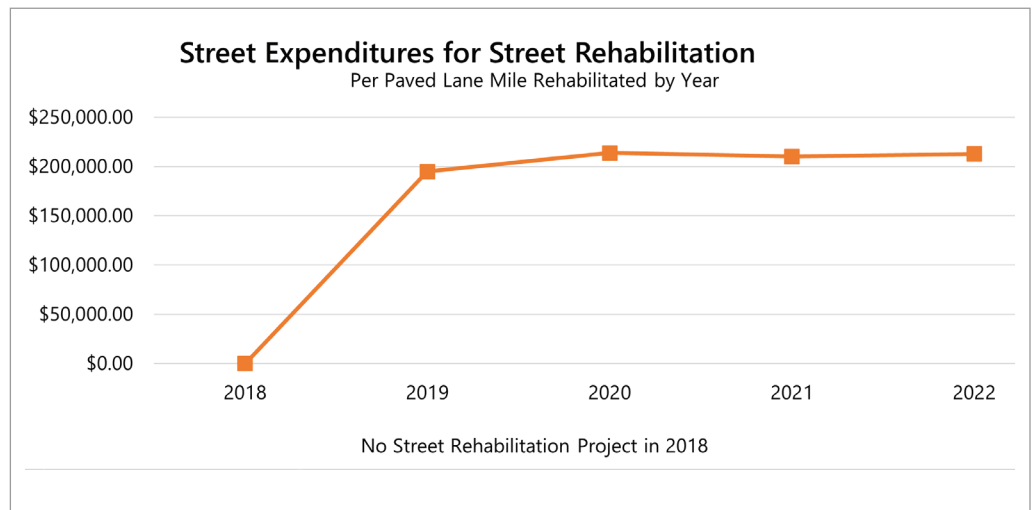
This data is measuring the cost per mile for major reconstruction of roadways. The amount is influenced by the roadway characteristics and the length of roadway segments completed in a given year.

Why does it matter?

This data shows how cost-effective the rehabilitation methods are, illustrates increases in cost of construction, and if improvements need to be made in the manner in which roads are reconstructed. This number also reflects the numerous factors influencing the complexity of construction and rehabilitation of roadways.

What does the data tell us?

The data tells the City how cost-effective rehabilitation projects are and demonstrates efficiency in use of funds. The streets selected in 2022 for major rehabilitation required more extensive repair due to their condition and were more costly to repair due to their width. Construction cost escalation was a contributor to the increase as well.





Public Works: Streets, Water and Sanitary Sewer

	2018*	2019	2020	2021	2022
Percentage of all jurisdiction lane miles rehabilitated in the year	N/A	0.51%	3.15%	2.6%	1.58%

Source: Engineering Division

Percentage of All Jurisdiction Lane Miles Rehabilitated in the Year

What is it?

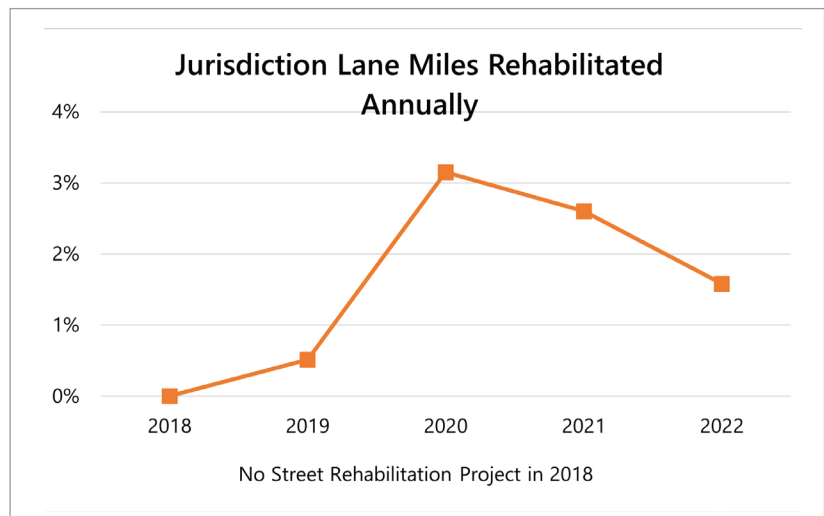
The data reflects how many lane miles out of the total miles within the City are being rehabilitated every year. The goal is to average 2.5% per year.

Why does it matter?

If mileage is lower and streets are not being rehabilitated, the average age of the pavement gets older and the quality of streets are reduced. To provide for a stable budget and yet be cost-effective and provide the best service to residents via streets, the number of miles rehabilitated should be relatively consistent each year and meet the percentage goal on average.

What does the data tell us?

The data shows a decrease in the number of miles rehabilitated since 2020. This is related to project delivery factors (how long it takes to receive permits, amount of funding and coordination with other government agencies). 2022 was near the City's target of 2%, which was higher than anticipated due to significant staffing changes in the City's Engineering Division.





	2018	2019	2020	2021	2022
Average hours to complete road system during snow event	7.33 hours	6.28 hours	7.39 hours	7.25 hours	7.25 hours

Source: Streets Division

Average Hours to Complete Road System During Snow Event

What is it?

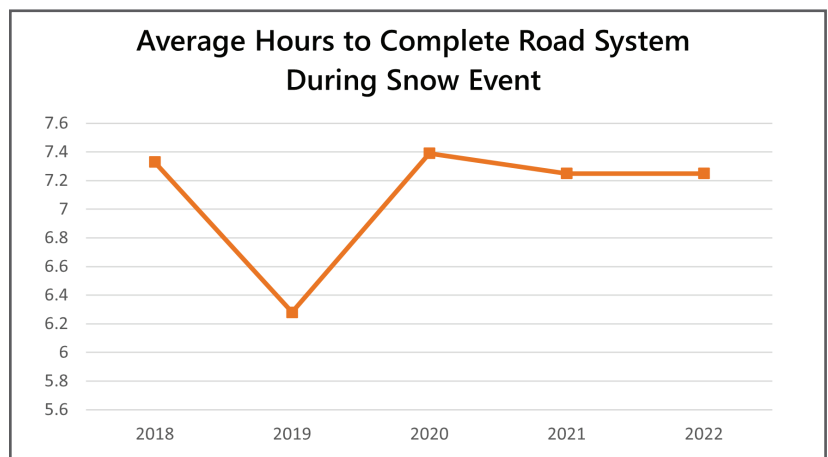
The amount of time, in hours, it takes for City plows to clear City streets. The Public Works department clears 87 miles of streets, 29 miles of trails, and 12 miles of sidewalks. In total, the City clears 180 street lane miles. Street lane miles account for both sides of the roadway being cleared.

Why does it matter?

Winter road safety is extremely important to the community. Average hours of a plow route affect ability and safety of travel, which can influence work commutes, reduce school closures, keep businesses open and the ability to use recreation amenities.

What does the data tell us?

The data is an indicator of how efficient the plow routes/drivers are and the level of customer service the City is delivering to the residents. Data in a given year also indicates quantity and frequency of snow events, type of snow (light/heavy), ice conditions and timing and duration of snowfall. Data can vary year-over-year depending on how many snowfalls occurred and conditions at the time of snowfall.





	2018	2019	2020	2021	2022
Operating cost per one million gallons of water pumped/produced	\$1,846	\$1,957	\$1,868	\$1,886	\$1,987

Operating Cost per 1 million Gallons of Water Pumped/Produced

What is it?

The treatment, storage and distribution operating costs for every million gallons of drinking water produced and delivered. The cost includes labor, supplies, maintenance, equipment and repairs, among other items.

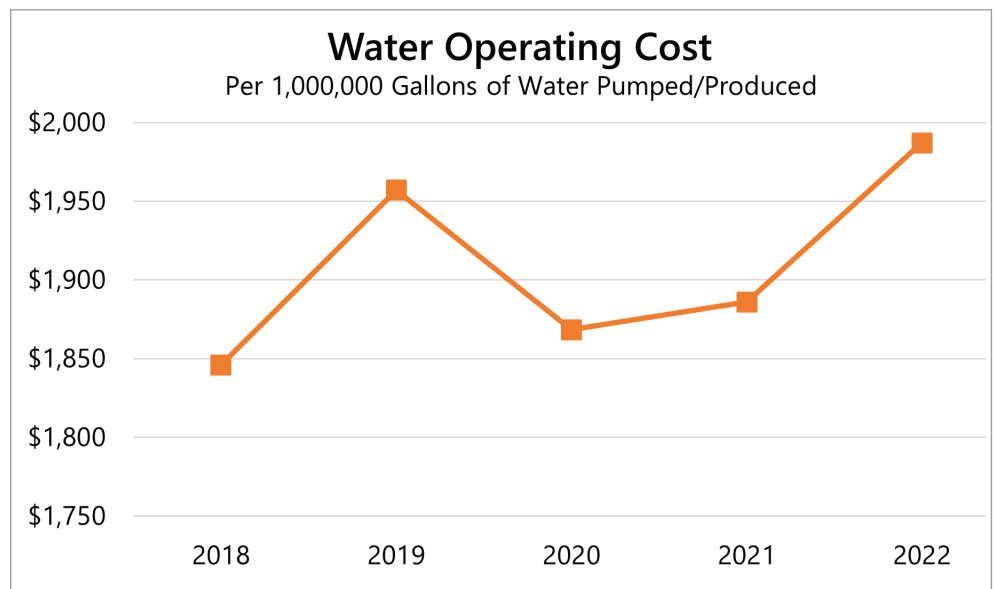
Why does it matter?

The data is illustrative of the decline in water use due to effective conservation methods. The data also reflects increased costs of water treatment due to improved regulations and annual inflation costs of supplies, labor and equipment.

What does the data tell us?

Year-over-year, the cost per gallon of water produced has been increasing slightly. While overall operating costs have remained stable, many of these costs are fixed regardless of production. Customers are conserving water, which leads to an increase in operating costs for a given volume of drinking water treated and delivered. As an example,

even with less water going through a pump, its cost to maintain and eventually be replaced are dependent on its age rather than its use. Filters, storage tanks, distribution pipes and other components of the City's water treatment and delivery system must be maintained regularly, regardless of use.





	2018	2019	2020	2021	2022
Number of sewer blockages on City system per 100 connections	0.060	0.048	0.036	0.012	0.071

Source: Sewer Division

Number of Sewer Blockages on City System per 100 Connections

What is it?

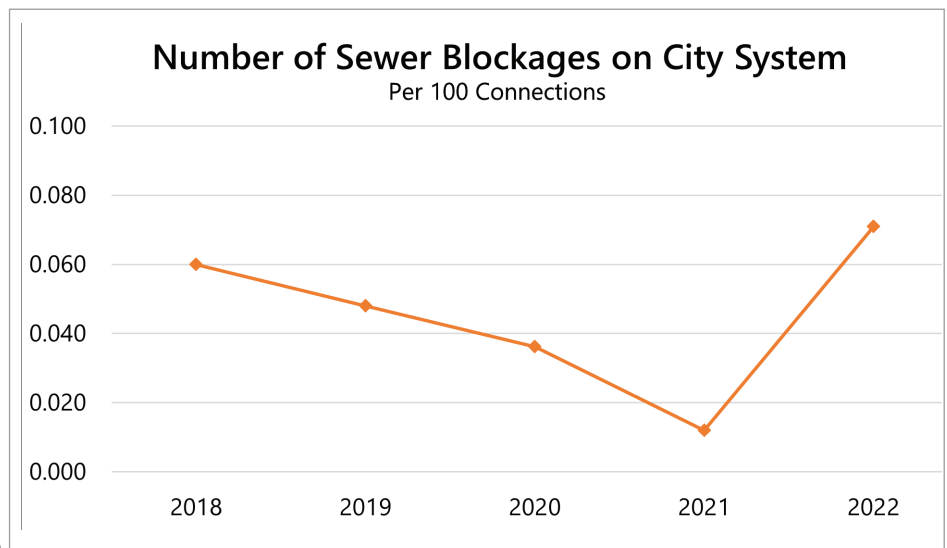
The amount of times that Public Works responds to an emergency sewer main blockage per 100 connections in a year. Blockages can be caused by improper disposal of non-flushable materials including grease and non-flushable wipes, tree root intrusion into sewers and lack of coordination of service cleaning by contractors.

Why does it matter?

Frequency of blockages is very low, and demonstrates the City's effective maintenance program for cleaning the sewer mains. The program reduces incidents of sewage backups that impact customers. When a blockage affecting a home does occur, residents are encouraged to contact the City to have the Public Works Department check to verify whether there is a blockage in the main or sewer service. This may save the resident from having to pay a contractor to clean the service.

What does the data tell us?

The data shows how effectively the Sanitary Sewer Division is cleaning mains on a regular basis. The City's goal is to meet recommended cleaning of all mains within a two-year to five-year cycle. The City has exceeded this goal for over a decade, cleaning the entire system every 1.5 years. The increase in 2022 can be attributed to an increased use of non-flushable wipes that clog the sewer system.







AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Rebecca Hellegers, Director of Employee Resources

Title

Resolution 2023-62, Approving and Authorizing Signing an Agreement with Certain Employees Represented by Local No. 514 for the City of Fridley Public Safety Department for the Years 2023 and 2024

Background

A two-year tentative agreement has been reached between the City of Fridley (City) and Local #514, which is the newly formed bargaining unit for the Police Technicians, for the contract years 2023 and 2024. This is the first contract established between the City and the Fridley Police Technicians.

On June 7, 2022, the non-licensed employees of the Fridley Police Department certified with the Bureau of Mediation Services to have Law Enforcement Labor Services, Inc. (LELS) as the exclusive representative for the unit.

The contract was designed to memorialize terms and conditions of employment already extended to the unit. Negotiations, which began in November 2022, were positive during the four meetings held to review the articles within the proposed contract, clarify the unit membership to include only the Police Technician position, and refine the contract to reach a tentative agreement between both parties.

A summary of items related directly to this unit is provided below.

- Article 26 – Duration: A two-year contract has been established from January 1, 2023 through December 31, 2024.
- Article 12 – Insurance: Employees in this bargaining unit will receive the same insurance benefit package as all other city employees with includes health, dental, life, and disability insurance, as well as alternatives (cash option or benefit leave in lieu of health insurance). Having the same benefit package for all city employees has been a long-standing pattern and valued practice at the City and remains an important strategy in maintaining fairness between all groups.
- Article 13 – Clothing Allowance: The City will reimburse up to \$400 annually for those who work 32 hours per week or up to \$500 annually for those who work 40 hours per week for clothing allowance, which maintains a benefit already in place with this unit prior to establishment of the bargaining unit.

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

- Article 14 – Wage Rates: Both parties agreed to maintaining the proposed compensation steps that were developed as part of the compensation study in 2022, as well as step increases awarded on the employee’s anniversary date, until top step. Both parties also agreed to maintain the Police Technician and Police Technician, Sr. role.

Both parties agreed to a general wage increase for 2023 of 3% across all steps and a general wage increase for 2024 of 3% across all steps. The adjustment is in effect beginning January 1, 2023. Additionally, all members of the unit will be awarded their anniversary step if it occurred prior to reaching the tentative agreement.

Financial Impact

The costs for the proposed contract for 2023-2024 are estimated at \$13,171 for wages and \$2,600 for clothing allowance, which is accounted for in the 2023 General Fund budget. In 2024, the General Fund budget will reflect the 3% increase, per the terms of the labor contract.

Recommendation

Staff recommend the approval of Resolution No. 2023-62.

Focus on Fridley Strategic Alignment

☐ Vibrant Neighborhoods & Places	☐ Community Identity & Relationship Building
☐ Financial Stability & Commercial Prosperity	☐ Public Safety & Environmental Stewardship
☒ Organizational Excellence	

Attachments and Other Resources

- Resolution No. 2023-62
- Local No. 514 Labor Agreement

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Resolution No. 2023 - 62

Approving and Authorizing Signing an Agreement with Police Technicians for the City of Fridley Public Safety Department for the Years 2023 and 2024

Whereas, the Law Enforcement Labor Services, Inc. as bargaining representative of the Police Technicians, Local #514, of the City of Fridley (Union), has presented to the City of Fridley (City) various requests relating to the wages and working conditions of Police Technicians of the Public Safety Department of the City; and

Whereas, the City presented various requests to the Union and to the employees relating to wages and working conditions of Police Technicians of the Public Safety Department of the City; and

Whereas, representatives of the Union and the City have met and negotiated in good faith regarding the requests of the Union and the City; and

Whereas, representatives of the Union and the City were able to reach an agreement to settle the 2023 and 2024 contract; and

Whereas, the 2023 and 2024 contract is the result of that collective bargaining process.

Now, therefore be it resolved, that the City Council of the City of Fridley hereby approves said agreement and the Mayor and the City Manager are hereby authorized to execute the Agreement relating to wages and working conditions of Police Technicians of the City of Fridley.

Passed and adopted by the City Council of the City of Fridley this 12th day of June, 2023.

Scott J. Lund – Mayor

Attest:

Melissa Moore – City Clerk

LABOR AGREEMENT
BETWEEN
THE CITY OF FRIDLEY
AND
LAW ENFORCEMENT LABOR SERVICES, INC.
LOCAL NO. 514
(Police Technician)
2023 & 2024

LABOR AGREEMENT BETWEEN
THE CITY OF FRIDLEY AND
LAW ENFORCEMENT LABOR SERVICES, INC.
LOCAL NO. 514
2023 & 2024
TABLE OF CONTENTS

ARTICLE

PAGE

1. Purpose of Agreement	1
2. Recognition	1
3. Definitions	1
4. Employer Authority	2
5. Union Security	2
6. Employee Rights – Grievance Procedures	2
7. Savings Clause	5
8. Seniority	5
9. Discipline	6
10. Work Schedules	6
11. Overtime	7
12. Insurance	7
13. Clothing Allowance	9
14. Wage Rates	10
15. Probationary Periods	10

16. Annual Leave	10
17. Wellness Leave	11
18. Holidays	11
19. Short Term Disability	12
20. Long Term Disability	12
21. Parental Leave	12
22. Bereavement Leave	12
23. Jury Duty Pay	12
24. Tuition Reimbursement	12
25. Waiver	12
26. Duration	13

Article 1. Purpose of Agreement

This Agreement is entered into between the City of Fridley, hereinafter called the Employer, and Law Enforcement Labor Services, Inc., Local #514 hereinafter called the Union.

It is the intent and purpose of this Agreement to:

Establish procedures for the resolution of disputes concerning this Agreement's interpretation and/or application; and

Place in written form the parties' agreement upon terms and conditions of employment for the duration of this Agreement.

Article 2. Recognition

- 2.1 The Employer recognizes the UNION as the exclusive representative for all employees in a unit certified by the State of Minnesota Bureau of Mediation Services, Case No. 22PCE2071 as:

All non-licensed employees, employed by the Fridley Police Department, Fridley, Minnesota, in the job classification of Police Technician, who are public employees within the meaning of Minn. Stat. §179A.03, subd. 14, excluding essential, supervisory, confidential and all other employees.

- 2.2 In the event the Employer and the Union are unable to agree as to the inclusion or exclusion of a new or modified job class, the issue shall be submitted to the Bureau of Mediation Services for determination.

Article 3. Definitions

Union: Law Enforcement Labor Services, Inc., Local #514.

Union Member: A member of the Law Enforcement Labor Services, Inc.

Employee: An employee whose classification is within the exclusively recognized bargaining unit.

Department: The Fridley Police Department.

Employer: The City of Fridley.

Chief: The Public Safety Director of the Fridley Police Department.

Job Classification Seniority: Length of continuous service within any job classification covered by this AGREEMENT.

Employer Seniority: Length of continuous service with the EMPLOYER.

Article 4. Employer Authority

- 4.1 The Employer retains the full and unrestricted right to operate and manage all personnel, facilities, and equipment; to establish functions and programs; to set and amend budgets; to determine the utilization of technology; to establish and modify the organizational structure; to select, direct, and determine the number of personnel; to establish work schedules, and to perform any inherent managerial function not specifically limited by this Agreement.
- 4.2 Any term and condition of employment not specifically established or modified by this Agreement shall remain solely within the discretion of the Employer to modify, establish, or eliminate.

Article 5. Union Security

- 5.1 The Employer shall deduct from the wages of Employees who authorize such a deduction in writing an amount necessary to cover monthly Union dues. Such monies shall be remitted as directed by the Union.
- 5.2 The Union may designate Employees from the bargaining unit to act as steward(s) and alternate(s) and shall inform the Employer in writing of such choices and changes in the position(s) of steward and/or alternate.
- 5.3 The Employer shall make space available on the Employee bulletin board for posting Union notice(s) and announcement(s).
- 5.4 The Union agrees to indemnify and hold the Employer harmless against any and all claims, suits, orders, or judgments brought or issued against the Employer as a result of any action taken or not taken by the Employer under the provisions of this Article.

Article 6. Employee Rights - Grievance Procedure

6.1 Definition of a Grievance

A grievance is defined as a dispute or disagreement as to the interpretation or application of the specific terms and conditions of this Agreement.

6.2 Union Representatives

The Employer will recognize Representatives designated by the Union as the grievance representatives of the bargaining unit having the duties and responsibilities established by this Article. The Union shall notify the Employer in writing of the names of such Union Representatives and of their successors when so designated as provided by Section 5.2 of this Agreement.

6.3 Processing of Grievance

It is recognized and accepted by the Union and the Employer that the processing of grievances as hereinafter provided is limited by the job duties and responsibilities of the Employees and shall therefore be accomplished during normal working hours only when consistent with such Employee duties and responsibilities. The aggrieved Employee and a Union Representative shall be allowed a reasonable amount of time without loss in pay when a grievance is investigated and presented to the Employer during normal working hours provided that the Employee and the Union Representative have notified and received the approval of the designated supervisor who has determined that such absence is reasonable and would not be detrimental to the work programs of the Employer.

6.4 Procedure

Grievances, as defined by Section 6.1, shall be resolved in conformance with the following procedure:

Step 1

An Employee claiming a violation concerning the interpretation or application of this Agreement shall, within twenty-one (21) calendar days after such alleged violation has occurred, present such grievance to the Employee's supervisor as designated by the Employer. The Employer-designated representative will discuss and give an answer to such Step 1 grievance within ten (10) calendar days after receipt. A grievance not resolved in Step 1 and appealed to Step 2 shall be placed in writing setting forth the nature of the grievance; the facts on which it is based; the provision or provisions of the Agreement allegedly violated; the remedy requested; and shall be appealed to Step 2 within ten (10) calendar days after the Employer-designated representative's final answer to Step 1. Any grievance not appealed in writing to Step 2 by the Union within ten (10) calendar days shall be considered waived.

Step 2

If appealed, the written grievance shall be presented by the Union and discussed with the Employer-designated Step 2 representative. The Employer-designated representative shall give the Union the Employer's answer in writing within ten (10) calendar days after receipt of such Step 2 grievance. A grievance not resolved in Step 2 may be appealed to Step 3 within ten (10) calendar days following the Employer-designated representative's final answer in Step 2. Any grievance not appealed in writing to Step 3 by the Union within ten (10) calendar days shall be considered waived.

Step 2a

If the grievance is not resolved at Step 2 of the grievance procedure, the parties, by

mutual agreement, may submit the matter to mediation with the Bureau of Mediation Services. Submitting the grievance to mediation preserves timeliness for Step 3 of the grievance procedure. Any grievance not appealed in writing to Step 3 by the Union within ten (10) calendar days of mediation shall be considered waived.

Step 3

A grievance unresolved in Step 2 or Step 2a and appealed to Step 3 by the Union shall be submitted to arbitration subject to the provisions of the Public Employment Labor Relations Act of 1971, as amended. The selection of an arbitrator shall be made in accordance with the "Rules Governing the Arbitration of Grievances" as established by the Bureau of Mediation Services.

6.5 Arbitrator's Authority

- a. The arbitrator shall have no right to amend, modify, nullify, ignore, add to, or subtract from the terms and conditions of this Agreement. The arbitrator shall consider and decide only the specific issue (s) submitted in writing by the Employer and the Union and shall have no authority to make a decision on any other issue not so submitted.
- b. The arbitrator shall be without power to make decisions contrary to, or inconsistent with, or modifying or varying in any way to application of laws, rules, or regulations having the force and effect of law. The arbitrator's decision shall be submitted in writing within thirty (30) days following close of the hearing or the submission of briefs by the parties, whichever be later, unless the parties agree to an extension. The decision shall be binding on both the Employer and the Union and shall be based solely on the arbitrator's interpretation or application of the express terms of this Agreement and to the facts of the grievance presented.
- c. The fees and expenses for the arbitrator's services and proceedings shall be borne equally by the Employer and the Union provided that each party shall be responsible for compensating its own representatives and witnesses. If either party desires a verbatim record of the proceedings, it may cause such a record to be made, providing it pays for the record. If both parties desire a verbatim record of the proceedings the cost shall be shared equally.

6.6 Waiver

If a grievance is not presented within the time limits set forth above, it shall be considered "waived." If a grievance is not appealed to the next step within the specified time limit or any agreed extension thereof, it shall be considered settled on the basis of the Employer's last answer. If the Employer does not answer a grievance or an appeal thereof within the specified time limits the Union may elect to treat the grievance as denied at that step and immediately appeal the grievance to the next step. The time limit in each step may be extended by mutual written agreement of the

Employer and the Union in each step.

6.7 Choice of Remedy

If, as a result of the written Employer response in Step 2 or 2a, the grievance remains unresolved, and if the grievance involves the suspension, demotion or discharge of an Employee who has completed the required probationary period, the grievance may be appealed either to Step 3 of Article 6 or to another procedure such as Veteran's Preference or Fair Employment. If appealed to any procedure other than Step 3 of this Article, the grievance is not subject to the arbitration procedure as provided in Step 3 of Article 6. The aggrieved Employee shall indicate in writing which procedure is to be utilized - Step 3 of Article 6 or an alternate procedure - and shall sign a statement to the effect that the choice of the alternate procedure precludes the aggrieved Employee from making a subsequent appeal through Step 3 of Article 6.

Except with respect to statutes under jurisdiction of the United States Equal Opportunity Commission, an employee pursuing a statutory remedy is not precluded from also pursuing an appeal under this grievance procedure. If a court of competent jurisdiction rules contrary to the ruling in *EEOC v. Board of Governors of State Colleges and Universities*, 957 F.2d 424 (7th Cir.), cert. denied. 506 U.S. 906. 113 S. Ct. 299(1992), or if *Board of Governors* is judicially or legislatively overruled, this paragraph of this Section shall be null and void.

Article 7. Savings Clause

This Agreement is subject to the laws of the United States and the State of Minnesota and policies and rules of the City of Fridley. In the event any provision of this Agreement shall be held to be contrary to law by a court of competent jurisdiction from whose final judgment or decree no appeal has been taken within the time provided, such provisions shall be voided. All other provisions of this Agreement shall continue in full force and effect. The voided provision may be renegotiated with the mutual agreement of both parties.

Article 8. Seniority

- 8.1 Seniority shall be determined by Job Classification Seniority and posted in an appropriate location. Seniority rosters may be maintained by the Director of Public Safety on the basis of both Job Classification Seniority and Employer Seniority.
- 8.2 All employees will serve a one-year probationary period. During the probationary period a newly hired or rehired Employee may be discharged at the sole discretion of the Employer without recourse to the grievance procedure. During the probationary period, a promoted or reassigned Employee may be returned to or replaced in his/her previous position at the sole discretion of the Employer without recourse to the grievance procedure.
- 8.3 A reduction of work force will be accomplished on the basis of Job Classification

Seniority. Employees shall be recalled from layoff on the basis of Job Classification Seniority. An Employee on layoff shall have an opportunity to return to work within the classification from which they were laid off for two (2) years of the time of his/her layoff before any new Employee is hired in the classification. Upon receipt of notice of recall, the employee shall have fourteen (14) days to return to work. It is the employee's obligation to maintain a current address and tele phone number with the EMPLOYER during layoff.

8.4 Employees shall lose their Employer Seniority for the following reasons:

- a. Discharge;
- b. Resignation;
- c. Unexcused failure to return to work after expiration of a vacation or formal leave of absence; or
- d. Retirement.

Article 9. Discipline

9.1 The Employer will discipline Employees for just cause only. Discipline will be in one or more of the following forms:

- a. written reprimand;
- b. suspension;
- c. demotion; or
- d. discharge.

9.2 Suspensions, demotions and discharges will be in written form.

9.3 Written reprimands, notices of suspension, and notices of discharge which are to become part of an Employee's personnel file shall be read and acknowledged by signature of the Employee. Employees and the Union will receive a copy of such reprimands and/or notices.

9.4 Employees may examine their own individual personnel files at reasonable times under the direct supervision of the Employer.

9.5 Employees have the right to Union representation during an investigation of disciplinary action.

9.6 Grievances relating to this Article shall be initiated by the Union in Step 2 of the grievance procedure under Article 6.

Article 10. Work Schedules

10.1 Employees shall have a thirty (30) minute unpaid lunch break and two (2) ten (10) minute paid breaks per shift.

- 10.2 Nothing contained in this or any other Article shall be interpreted to be a guarantee of a minimum or maximum number of hours the Employer may assign Employees.

Article 11. Overtime

- 11.1 Employees will be compensated at one and one-half (1-1/2) times the Employee's regular base pay rate for hours worked in excess of 40 hours in a 7-day work period.
- 11.2 For the purpose of computing overtime compensation, overtime hours worked shall not be pyramided, compounded or paid twice for the same hours worked.
- 11.3 Overtime will be calculated to the nearest fifteen (15) minutes.

Article 12. Insurance

- 12.1 For the calendar year of 2023, for those Employees who choose coverage in the Base Plan, the Employer will contribute the same amount provided to non-union employees. If the 2023 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

For the calendar year of 2024, for those Employees who choose coverage in the Base Plan, the Employer will contribute the same amount provided to non-union employees. If the 2024 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

- 12.2 For the calendar year of 2023, for those Employees who choose coverage in the HRA Plan, the Employer will contribute the same amount provided to non-union employees.

If the 2023 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

For the calendar year of 2024, for those Employees who choose coverage in the HRA Plan, the Employer will contribute the same amount provided to non-union employees.

If the 2024 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

- 12.3 For the calendar year of 2023, for those Employees who choose coverage in the HRA Plan, the Employer will contribute the same amount provided to non-union employees in their HRA VEBA.

If the 2023 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

For the calendar year of 2024, for those Employees who choose coverage in the HRA Plan, the Employer will contribute the same amount provided to non-union employees in their HRA VEBA.

If the 2024 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

- 12.4 For the calendar year of 2023, for those Employees who choose coverage in the HSA Plan, the Employer will contribute the same amount provided to non-union employees in their HSA account.

If the 2023 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

For the calendar year of 2024, for those Employees who choose coverage in the HSA Plan, the Employer will contribute the same amount provided to non-union employees in their HSA account.

If the 2024 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

- 12.5 For the calendar years 2023, for Employees who choose the high deductible health plan and healthcare savings account (H.S.A.), the Employer will contribute an equal amount toward the HSA as is provided to non-union employees, whichever is greater, in accordance with the Employer's Flexible Benefit Plan.

For the calendar years 2024, for Employees who choose the high deductible health plan and healthcare savings account (H.S.A.), the Employer will contribute an equal amount toward the HSA as is provided to non-union employees, whichever is greater, in accordance with the Employer's Flexible Benefit Plan.

- 12.6 For the calendar year of 2023, for those Employees who choose dental coverage, the Employer will contribute the same amount provided to non-union employees.

If the 2023 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

For the calendar year of 2024, for those Employees who choose dental coverage, the Employer will contribute the same amount provided to non-union employees.

If the 2024 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

- 12.7 For the calendar year of 2023, the Employer will contribute the same amount for group term life insurance provided to non-union employees.

If the 2023 employer contribution rates for the non-union employees are less, the

previous year's contribution will remain in effect.

For the calendar year of 2024, the Employer will contribute the same amount for group term life insurance provided to non-union employees.

If the 2024 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

- 12.8 For the calendar year 2023 and 2024, in accordance with the Employer's Flexible Benefit Plan, Employees have the option during an open enrollment period or during approved qualifying events to decline health or dental insurance coverage, provided they provide proof of coverage elsewhere. In lieu of electing health and dental benefits, Employees may elect the option of having ten (10) additional Benefit Leave Days or a monthly cash benefit (taxable) of \$476.77, or the amount equal to or greater than the amount provided to non-union employees.

For the calendar year 2023, for Employees who choose to waive the health and dental programs and elect Benefit Leave Days or the monthly cash option, the Employer will contribute the same amount provided to non-union employees, whichever is greater, in accordance with the Employer's Flexible Benefit Plan.

If the 2023 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

For the calendar year 2024, for Employees who choose to waive the health and dental programs and elect Benefit Leave Days or the monthly cash option, the Employer will contribute the same amount provided to non-union employees, whichever is greater, in accordance with the Employer's Flexible Benefit Plan.

If the 2024 employer contribution rates for the non-union employees are less, the previous year's contribution will remain in effect.

Benefit Leave days are required to be used within in the calendar year and may not be carried into the following year.

Article 13. Clothing Allowance

The Employer shall provide each employee who works 40 hours per week a clothing allowance of \$500 annually and each employee who works 32 hours per week a clothing allowance of \$400 annually.

Article 14. Wage Rates

2023

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8
Police Technician	\$24.81	\$25.63	\$26.48	\$27.35	\$28.25	\$29.19	\$30.15	\$31.15
Police Technician Sr	\$26.80	\$27.69	\$28.59	\$29.54	\$30.52	\$31.52	\$32.56	\$33.64

2024

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8
Police Technician	\$25.55	\$26.40	\$27.27	\$28.17	\$29.10	\$30.07	\$31.05	\$32.08
Police Technician Sr	\$27.60	\$28.52	\$29.45	\$30.43	\$31.44	\$32.47	\$33.54	\$34.65

The Employee will qualify to move to the next step from their currently assigned step on their anniversary date in position, until they reach Step 8 (top).

Article 15. Probationary Periods

- 15.1 All newly hired, rehired, or promoted Employees will serve a one-year probationary period.
- 15.2 The Employer may extend a probationary period by 3 additional months with notice to the employee and Union.

Article 16. Annual Leave

- 16.1 Each Employee shall be entitled to annual leave away from employment with pay. Employees who work less than 40 hours per week shall accrue benefits on a pro-rata basis based on FTE. Annual leave may be used for scheduled or emergency absences from employment. Annual leave pay shall be computed at the regular rate of pay to which such an Employee is entitled provided, however, that the amount of any compensation shall be reduced by the payment received by the Employee from workers' compensation insurance, Public Employees Retirement Association disability insurance, or Social Security disability insurance. An Employee's accumulation of annual leave will be reduced only by the amount of annual leave for which the Employee received compensation.
- 16.2 The following annual leave accrual rates for employees regularly scheduled to work 32 hours per week shall be adjusted on a pro rata basis.

Annual leave shall accrue at the rate of eighteen (18) days (144 hours) per year for the

first seven (7) years (84 consecutive months) of employment with the City.

An Employee who has worked seven (7) years (84 consecutive months) shall accrue annual leave at the rate of twenty-four (24) days (192 hours) per year, beginning with the eighty- fifth (85th) month of consecutive employment with the City.

An Employee who has worked fifteen (15) years (180 consecutive months) shall accrue annual leave at the rate of twenty-six (26) days (208 hours) per year, beginning with the one hundred eighty-first (181st) month of consecutive employment with the City.

- 16.3 The maximum total accumulation of annual leave at the end of any given year shall be forty (40) days (320 hours).
- 16.4 Upon separation from employment with the City in good standing with fourteen (14) days’ notice, an Employee will be paid for accrued unused annual leave remaining in the Employee's balance.
- 16.5 Sherree Smith shall retain eligibility for the Employer’s retirement benefit.

Article 17. Wellness Leave

Employees will be covered by the Employer’s Employee Handbook on Wellness Leave.

Article 18. Holidays

- 18.1 Employees will receive the following paid holidays on days designated by the Employer:

New Year’s Day	Martin Luther King, Jr. Day	President’s Day
Memorial Day	City-Designated Holiday	Independence Day
Labor Day	Veteran’s Day	Thanksgiving Day
Day After Thanksgiving	Christmas Day	Floating Holiday

Employees who work less than 40 hours per week shall accrue benefits on a pro-rata basis based on FTE.

- 18.2 In addition to the twelve holidays, Employees shall be paid at one and one-half (1- ½) times their base rate of pay for all hours worked on the holiday. For any overtime hours worked on a holiday, Employees will be paid two (2) times their base rate of pay.
- 18.3 The Employer will designate the holiday schedule and communicate to Employees in advance.

Article 19. Short Term Disability

Employees will be covered by the Employer's Employee Handbook on short term disability.

Article 20. Long-Term Disability

Employees will be covered by the Employer's Employee Handbook on long term disability.

Article 21. Paid Parental Leave

Employees will be covered by the Employer's Policy on Paid Parental Leave.

Article 22. Bereavement Leave

Employees will be covered by the Employer's Employee Handbook on Bereavement Leave.

Article 23. Jury Duty Pay

Employees will be covered by the Employer's Employee Handbook on Jury Duty leave.

Article 24. Tuition Reimbursement

Employees will be covered by the Employer's Tuition Reimbursement Policy.

Article 25. Waiver

- 25.1 Any and all prior agreements, resolutions, practices, policies, rules and regulations regarding terms and conditions of employment, to the extent inconsistent with the provisions of this Agreement, are hereby superseded.
- 25.2 The parties mutually acknowledge that during the negotiations, which resulted in this Agreement, each had the unlimited right and opportunity to make demands and proposals with respect to any term or condition of employment not removed by law from bargaining. All agreements and understandings arrived at by the parties are set forth in writing in this Agreement for the stipulated duration of this Agreement. The Employee and the Union each voluntarily and unqualifiedly waives the right to meet and negotiate regarding any and all terms and conditions of employment referred to or covered in this Agreement or with respect to any term or condition of employment not specifically referred to or covered by the Agreement, even though such terms or conditions may not have been within the knowledge or contemplation of either or both of the parties at the time this contract was negotiated or executed.

Article 26. Duration

This Agreement shall be effective as of the first day of January 2023, and shall remain in full force and effect through the thirty-first day of December 2024. In witness whereof, the parties hereto have executed this Agreement on this ____ day of ____ 2023.

FOR CITY OF FRIDLEY

_____ Scott J. Lund, Mayor	(Date)
_____ Walter T. Wysopal, City Manager	(Date)
_____ Rebecca A. Hellegers, Human Resources Director	(Date)
_____ Brian T. Weierke, Public Safety Director	(Date)

FOR LAW ENFORCEMENT LABOR SERVICES, INC.

_____ Adam Burnside, LELS Business Agent	(Date)
_____ Julie Johnson, Steward	(Date)
_____ Michelle Zwicky, Steward	(Date)



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Paul Bolin, Assistant Executive Director, Housing and Redevelopment Authority

Title

Resolution No. 2023-65, Approving Special Legislation to Provide Funding for the Fridley Housing and Redevelopment Authority's Housing Programs

Background

During the final days of the 2023 regular legislative session, the Minnesota Legislature adopted special legislation that will provide additional funding for the Housing & Redevelopment Authority's (HRA) housing programs. Specifically, the special law allows the HRA to capture five years' worth of excess tax increment from the Northern Stacks project for the rehabilitation and development of housing. The excess tax increment is the result of interest savings from the City of Fridley (City) issuing bonds to refinance the tax increment note originally issued for the Northern Stacks project.

The Legislature recognized that Fridley, like other first-ring suburbs, has housing stock that is aging and in need of rehabilitation. Nearly 77% of the City's housing units are more than 60 years old, and the City's changing demographics are accelerating the need for a wide variety of housing programs.

The legislation is not in effect until the City Council adopts an approval resolution and files a certificate of approval with the Secretary of State.

Financial Impact

Positive. The City's Housing and Redevelopment Authority, for each of the next five years, will have approximately \$600,000 in additional funding for their housing programs due to the special legislation.

Recommendation

Staff recommend approval of Resolution No. 2023-65.

Focus on Fridley Strategic Alignment

☒ Vibrant Neighborhoods & Places	☐ Community Identity & Relationship Building
☒ Financial Stability & Commercial Prosperity	☐ Public Safety & Environmental Stewardship
☐ Organizational Excellence	

Attachments and Other Resources

- Resolution No. 2023-65
- Exhibit A – Text of Special Law

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Resolution No. 2023 - 65

Approving Special Legislation to Provide Funding for the Fridley Housing and Redevelopment Authority's Housing Programs

Whereas, Laws of Minnesota 2023, Chapter 64, Article 8, Section 11 (Special Law) was enacted by the Legislature of the State of Minnesota and signed into law by Governor Timothy Walz on May 23, 2023, and relates to special rules governing the use of tax increment financing by the City of Fridley, Minnesota (City); and

Whereas, the Special Law is effective upon approval by the governing body of the City and upon compliance by the City with Minnesota Statutes, Section 645.021, subdivisions 2 and 3; and

Whereas, Minnesota Statute Section 645.021, subdivision 2, requires approval of the Special Law by the City; and

Whereas, A copy of the text of the Special Law is attached hereto as Exhibit A.

Whereas, Minnesota Statute Section 645.021, subdivision 3, requires that upon approval of the Special Law by the City, that the City file a certificate of approval, as proscribed by the attorney general, and a copy of its resolution of approval with the Secretary of State prior to the first day of the next regular session of the Legislature.

Now therefore, be it resolved, by the City Council of the City of Fridley, as follows:

1. The Special Law is hereby approved.
2. The City Clerk is hereby directed to file a certificate of approval and a certified copy of the City's resolution of approval with the Secretary of State prior to the first day of the next regular session of the Legislature.
3. The Special Law is effective upon compliance with the above requirements.

Passed and adopted by the City Council of the City of Fridley this 12th day of June, 2023.

Scott J. Lund – Mayor

Attest:

Melissa Moore – City Clerk

Exhibit A
Text of Special Law

Sec. 11. CITY OF FRIDLEY; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.

Subdivision 1. Transfer of increment. Notwithstanding Minnesota Statutes, section 469.176, subdivision 4j, the city of Fridley or its economic development authority may transfer tax increment accumulated from Fridley Tax Increment Financing District No. 20 to the Fridley Housing and Redevelopment Authority for the purposes authorized in subdivision 2. Only increment allowed to be expended outside of the district pursuant to Minnesota Statutes, section 469.1763, subdivision 2, may be transferred under this section.

Subd. 2. Allowable use. Tax increment transferred under subdivision 1 must be used only to:

- (1) make grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing; or
- (2) match other funds from federal, state, or private resources for housing projects.

Subd. 3. Annual financial reporting. Tax increment transferred under this section is subject to the annual reporting requirements under Minnesota Statutes, section 469.175, subdivision 6.

Subd. 4. Legislative reports. By February 1, 2025, and February 1, 2027, the city of Fridley must issue a report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes and property taxes. Each report must include detailed information relating to each program financed with increment transferred under this section.

Subd. 5. Expiration. The authority to make transfers under subdivision 1 expires December 31, 2027.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Fridley and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Beth Kondrick, Deputy City Clerk

Title

Resolution No. 2023-59, Approving Temporary Intoxicating Liquor Permit and Temporary Lawful Gambling Permit for Fridley Lions Club for Events to be Held During Fridley 49er Days on June 17, 2023 at Commons Park and Community Park

Background

Pursuant to sections of the Fridley City Code (Code), certain business licensing activities require approval of the Fridley City Council (Council), including Temporary Intoxicating Liquor licenses and Temporary Lawful Gambling permits.

The City received an application from Jo Young and Adam Bedard on May 25, 2023 for a Temporary Intoxicating Liquor Permit and a Temporary Lawful Gambling permit for an event to be held at during Fridley 49er Days on June 17, 2023 at Commons Park and Community Park.

Staff have performed the required verification steps spelled out in Chapter 603 (Intoxicating Liquor) and Chapter 30 (Lawful Gambling) of the Code. Upon approval of the Council, the City permit and associated certifications will be forwarded on to the State for issuance of the Temporary Intoxicating Liquor permit.

Chapter 209 (Fees) of the Code directs the fee for a Temporary Intoxicating Liquor Permit is \$25 and the fee for a Temporary Lawful Gambling Permit is \$25. The City has had a past practice of waiving similar fees for community-based organization events. Staff recommends waiving the fees for these permits because 49er Days is a Fridley community event.

Financial Impact

All revenues for similar licenses were anticipated as part of the 2023 Budget.

Recommendation

Staff recommend the approval of Resolution No. 2023-59.

Focus on Fridley Strategic Alignment

☐ Vibrant Neighborhoods & Places	☒ Community Identity & Relationship Building
☐ Financial Stability & Commercial Prosperity	☒ Public Safety & Environmental Stewardship
☐ Organizational Excellence	

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Attachments

- Resolution No. 2023-59

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Resolution No. 2023-59

Approving Temporary Intoxicating Liquor Permit and Temporary Lawful Gambling Permit for Lions Club for Fridley 49er Days Event June 17, 2023

Whereas, the Fridley City Code (Code) and various sections of Minnesota Statute (M.S.) direct licensing requirements for certain business activities within the City of Fridley (City); and

Whereas, pursuant to Section 603 of Code, the City Council shall approve liquor licenses and permits; and

Whereas, a Temporary Intoxicating Liquor permit application was submitted by Jo Young for an event to be held during Fridley 49er Days at Commons Park on June 17, 2023; and

Whereas, pursuant to Section 30 of Code, the City Council shall approve exempt lawful gambling permits; and

Whereas, a Temporary Lawful Gambling permit application was submitted by Adam Bedard for an event to be held during Fridley 49er Days at Commons Park on June 17, 2023; and

Whereas, applicable City staff have reviewed the applications and conditions of the City's permits; and

Whereas, applicable City staff recommend the approval of the following permits by the City Council.

Now, therefore be it resolved, that the City Council of the City of Fridley hereby approves the Temporary Permit for Intoxicating Liquor and the Temporary Lawful Gambling permit to be issued to Jo Young and Adam Bedard for events to be held during Fridley 49er Days at Common Park and Community Park on June 17, 2023.

Liquor

Type of License	Applicant	Staff Approval	City Code	Minnesota Statute
Temporary Intoxicating Liquor Permit	Jo Young, Lions Club of Fridley	• City Clerk • Public Safety	Chapter 603	M.S. § 340A

Gambling

Type of License	Applicant	Staff Approval	City Code	Minnesota Statute
Temporary Lawful Gambling Permit	Lions Club of Fridley, Adam Bedard	- City Clerk - Public Safety	Chapter 30	M.S. § 349.166

Be it further resolved, that the City Council of the City of Fridley hereby waives the City's permit fees of \$25 for a Temporary Intoxicating Liquor Permit and \$25 for a Temporary Lawful Gambling Permit as established in Chapter 209 (Fees) of the Fridley City Code.

Passed and adopted by the City Council of the City of Fridley this 12th day of June, 2023.

Scott J. Lund – Mayor

Attest:

Melissa Moore – City Clerk



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Roberta Collins, Assistant to the City Manager

Title

Resolution No. 2023-64, Approving Claims for the Period Ending June 7, 2023

Background

Attached is Resolution No. 2023-64 and the Claims Report for the period ending June 7, 2023.

Financial Impact

Included in the budget.

Recommendation

Staff recommend the approval of Resolution No. 2023-64.

Focus on Fridley Strategic Alignment

☐ Vibrant Neighborhoods & Places	☐ Community Identity & Relationship Building
☒ Financial Stability & Commercial Prosperity	☐ Public Safety & Environmental Stewardship
☐ Organizational Excellence	

Attachments and Other Resources

- Resolution No. 2023-64
- City Council Claims Report

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Resolution No. 2023-64**Approving Claims for the Period Ending June 7, 2023**

Whereas, Minnesota Statute § 412.271 generally requires the City Council to review and approve claims for goods and services prior to the release of payment; and

Whereas, a list of such claims for the period ending June 7, 2023, was reviewed by the City Council.

Now, therefore be it resolved, that the City Council of the City of Fridley hereby approves the payment of the claims as presented.

Passed and adopted by the City Council of the City of Fridley this 12th day of June, 2023.

Scott J. Lund - Mayor

Attest:

Melissa Moore – City Clerk



City of Fridley, MN

Item 12.

Bank Transaction Report

Transaction Detail

Issued Date Range: 05/18/2023 - 06/07/2023

Cleared Date Range: -

Issued Date	Cleared Date	Number	Description	Module	Status	Type	Amount
Accounts Payable							
05/22/2023		DFT0004415	BLUE CROSS BLUE SHIELD OF MN	Accounts Payable	Outstanding	Bank Draft	-145,226.62
05/24/2023		200605	ACTIVE911	Accounts Payable	Outstanding	Check	-690.00
05/24/2023		200606	ADVANCE COMPANIES INC	Accounts Payable	Outstanding	Check	-1,006.60
05/24/2023	05/26/2023	200607	ALLINA HEALTH SYSTEM	Accounts Payable	Pending Clear	Check	-1,320.00
05/24/2023		200608	ANOKA COUNTY ATTORNEY	Accounts Payable	Outstanding	Check	-725.40
05/24/2023		200609	ANOKA COUNTY TREASURY OFFICE	Accounts Payable	Outstanding	Check	-1,303.08
05/24/2023		200610	ARAMARK UNIFORM SERVICES	Accounts Payable	Outstanding	Check	-396.31
05/24/2023		200611	ARMSTRONG CRANE & RIGGING	Accounts Payable	Outstanding	Check	-1,260.00
05/24/2023		200612	ASPEN MILLS INC	Accounts Payable	Outstanding	Check	-136.42
05/24/2023		200613	AUTONATION FORD WHITE BEAR LAKE	Accounts Payable	Outstanding	Check	-363.32
05/24/2023		200614	BATTERIES PLUS	Accounts Payable	Outstanding	Check	-20.15
05/24/2023		200615	BEISSWENGER'S HARDWARE	Accounts Payable	Outstanding	Check	-9.39
05/24/2023		200616	BOB'S PRODUCE RANCH	Accounts Payable	Outstanding	Check	-91.56
05/24/2023		200617	BOLTON & MENK INC	Accounts Payable	Outstanding	Check	-65,090.00
05/24/2023		200618	BRIGHTWOOD HILLS GOLF COURSE	Accounts Payable	Outstanding	Check	-1,694.00
05/24/2023		200619	CDW GOVERNMENT INC	Accounts Payable	Outstanding	Check	-6,125.91
05/24/2023		200620	CENTERPOINT ENERGY-MINNEGASCO	Accounts Payable	Outstanding	Check	-2,148.23
05/24/2023		200621	CENTURY LINK	Accounts Payable	Outstanding	Check	-67.43
05/24/2023		200622	COON RAPIDS, CITY OF	Accounts Payable	Outstanding	Check	-822.90
05/24/2023		200623	CORE & MAIN LP	Accounts Payable	Outstanding	Check	-103.01
05/24/2023		200624	DIAMOND VOGEL PAINT	Accounts Payable	Outstanding	Check	-101.50
05/24/2023		200625	ECOSAFE ZERO WASTE USA INC	Accounts Payable	Outstanding	Check	-58.28
05/24/2023		200626	FERGUSON WATERWORKS #2518	Accounts Payable	Outstanding	Check	-89.77
05/24/2023	05/30/2023	200627	GENUINE PARTS CO/NAPA	Accounts Payable	Pending Clear	Check	-366.93
05/24/2023		200628	HAWKINS INC	Accounts Payable	Outstanding	Check	-10,071.25
05/24/2023		200629	HYDRAULIC SPECIALTY CO	Accounts Payable	Outstanding	Check	-51.57
05/24/2023		200630	INTERSTATE ALL BATTERY CENTER	Accounts Payable	Outstanding	Check	-280.90
05/24/2023		200631	KATH FUEL OIL SERVICE	Accounts Payable	Outstanding	Check	-5,959.99
05/24/2023		200632	KLEIN UNDERGROUND LLC	Accounts Payable	Outstanding	Check	-1,538.00
05/24/2023		200633	LANO EQUIPMENT INC	Accounts Payable	Outstanding	Check	-102.68
05/24/2023		200634	LOFFLER COMPANIES-131511	Accounts Payable	Outstanding	Check	-210.71
05/24/2023		200635	MAC QUEEN EMERGENCY	Accounts Payable	Outstanding	Check	-19,750.00
05/24/2023		200636	MARTIN MARIETTA	Accounts Payable	Outstanding	Check	-626.26
05/24/2023	05/30/2023	200637	MC TOOL & SAFETY	Accounts Payable	Pending Clear	Check	-376.32
05/24/2023		200638	MENARDS - FRIDLEY	Accounts Payable	Outstanding	Check	-112.75
05/24/2023		200639	METERING & TECHNOLOGY SOLUTIONS	Accounts Payable	Outstanding	Check	-5,313.98

Bank Transaction Report

Issued Date Range

Issued Date	Cleared Date	Number	Description	Module	Status	Type	Amount
05/24/2023		200640	METRO GARAGE DOOR/WINTER INDUSTRIES LLC	Accounts Payable	Outstanding	Check	-9,237.05
05/24/2023		200641	MINN DEPT OF FINANCE	Accounts Payable	Outstanding	Check	-79.96
05/24/2023		200642	MINN DEPT OF HEALTH	Accounts Payable	Outstanding	Check	-20,458.00
05/24/2023		200643	MINN IT	Accounts Payable	Outstanding	Check	-312.90
05/24/2023	05/30/2023	200644	MINN POLLUTION CONTROL AGENCY-MPCA	Accounts Payable	Pending Clear	Check	-260.00
05/24/2023		200645	MINNEAPOLIS SAW INC	Accounts Payable	Outstanding	Check	-319.99
05/24/2023		200646	MINNESOTA METRO NORTH TOURISM BUREAU	Accounts Payable	Outstanding	Check	-10,530.21
05/24/2023		200647	NEW BRIGHTON, CITY OF	Accounts Payable	Outstanding	Check	-1,599.49
05/24/2023		200648	NORTH CENTRAL INTERNATIONAL	Accounts Payable	Outstanding	Check	-931.20
05/24/2023		200649	NORTHERN TOOL & EQUIPMENT	Accounts Payable	Outstanding	Check	-45.98
05/24/2023		200650	OERTEL ARCHITECTS	Accounts Payable	Outstanding	Check	-4,875.00
05/24/2023		200651	OMANN BROTHERS CONTRACTING CO	Accounts Payable	Outstanding	Check	-2,060.90
05/24/2023		200652	Q3 CONTRACTING INC	Accounts Payable	Outstanding	Check	-5,109.40
05/24/2023		200653	QUALITY FORKLIFT SALES & SERVICE	Accounts Payable	Outstanding	Check	-1,383.59
05/24/2023		200654	RADCO INDUSTRIES INC	Accounts Payable	Outstanding	Check	-3,503.23
05/24/2023		200655	RAILROAD MANAGEMENT COMPANY LLC	Accounts Payable	Outstanding	Check	-344.67
05/24/2023		200656	RESPEC	Accounts Payable	Outstanding	Check	-2,323.13
05/24/2023	05/25/2023	200657	SCHUSTER, ALISA	Accounts Payable	Pending Clear	Check	-193.88
05/24/2023		200658	SHORT ELLIOTT HENDRICKSON INC	Accounts Payable	Outstanding	Check	-1,106.20
05/24/2023		200659	SILENT KNIGHT SECURITY SYSTEMS	Accounts Payable	Outstanding	Check	-420.00
05/24/2023	05/31/2023	200660	STANDARD INSURANCE COMPANY (LIFE)	Accounts Payable	Pending Clear	Check	-2,228.40
05/24/2023		200661	STANDARD INSURANCE COMPANY LTD/STD	Accounts Payable	Outstanding	Check	-7,128.77
05/24/2023		200662	TAHO SPORTSWEAR	Accounts Payable	Outstanding	Check	-97.50
05/24/2023		200663	TEETZEL, CHELSIE	Accounts Payable	Outstanding	Check	-10.53
05/24/2023		200664	TIMESAVER OFF SITE SECRETARIAL INC	Accounts Payable	Outstanding	Check	-514.75
05/24/2023		200665	TRI-STATE BOBCAT INC	Accounts Payable	Outstanding	Check	-250.00
05/24/2023		200666	VALLEY-RICH CO INC	Accounts Payable	Outstanding	Check	-6,890.60
05/24/2023	05/31/2023	200667	VERIZON WIRELESS	Accounts Payable	Pending Clear	Check	-480.12
05/24/2023	05/26/2023	200668	XCEL ENERGY	Accounts Payable	Pending Clear	Check	-27,884.18
05/24/2023		200669	YOUNG, JORDAN	Accounts Payable	Outstanding	Check	-113.90
05/24/2023	05/25/2023	200670	FRIDLEY POLICE ASSOCIATION	Accounts Payable	Pending Clear	Check	-192.00
05/24/2023	05/31/2023	200671	MINN CHILD SUPPORT PAYMENT CENTER	Accounts Payable	Pending Clear	Check	-851.40
05/25/2023		DFT0004407	US BANK (P-CARDS)	Accounts Payable	Outstanding	Bank Draft	-34,242.31
05/26/2023		910	CITY OF FRIDLEY-IAFF DUES/INTL ASSOC/FIRE FIGHTERS	Accounts Payable	Outstanding	EFT	-80.00
05/26/2023		DFT0004386	EMPOWER RETIREMENT (for MN/MSRS)	Accounts Payable	Outstanding	Bank Draft	-1,539.23
05/26/2023		DFT0004387	EMPOWER RETIREMENT (for MN/MSRS)	Accounts Payable	Outstanding	Bank Draft	-1,194.86
05/26/2023		DFT0004388	CITY OF FRIDLEY-MISSION SQUARE-457 Def.Comp	Accounts Payable	Outstanding	Bank Draft	-20,145.73
05/26/2023		DFT0004389	CITY OF FRIDLEY-MISSION SQUARE-457 Def.Comp	Accounts Payable	Outstanding	Bank Draft	-5,329.58
05/26/2023		DFT0004391	CITY OF FRIDLEY-MISSION SQUARE RHS, Retiree Health Sav	Accounts Payable	Outstanding	Bank Draft	-363.48
05/26/2023		DFT0004393	OPTUM BANK (HSA)	Accounts Payable	Outstanding	Bank Draft	-3,910.46
05/26/2023		DFT0004394	OPTUM BANK (HSA)	Accounts Payable	Outstanding	Bank Draft	-3,010.66
05/26/2023		DFT0004395	PERA - PUBLIC EMPLOYEES	Accounts Payable	Outstanding	Bank Draft	-44,346.96
05/26/2023		DFT0004396	PERA - PUBLIC EMPLOYEES	Accounts Payable	Outstanding	Bank Draft	-164.46

Bank Transaction Report

Issued Date	Cleared Date	Number	Description	Module	Status	Type	Amount
05/26/2023		DFT0004397	PERA - PUBLIC EMPLOYEES	Accounts Payable	Outstanding	Bank Draft	-61,539.72
05/26/2023		DFT0004398	CITY OF FRIDLEY-MISSION SQUARE RHS, Retiree Health Sav	Accounts Payable	Outstanding	Bank Draft	-100.00
05/26/2023		DFT0004399	CITY OF FRIDLEY-MISSION SQUARE RHS, Retiree Health Sav	Accounts Payable	Outstanding	Bank Draft	-2,475.00
05/26/2023		DFT0004400	CITY OF FRIDLEY-MISSION SQUARE RHS, Retiree Health Sav	Accounts Payable	Outstanding	Bank Draft	-700.00
05/26/2023		DFT0004401	CITY OF FRIDLEY-MISSION SQUARE Roth IRA	Accounts Payable	Outstanding	Bank Draft	-4,518.45
05/26/2023		DFT0004402	BENEFIT RESOURCE LLC - BPA/VEBA	Accounts Payable	Outstanding	Bank Draft	-950.00
05/26/2023		DFT0004403	INTERNAL REVENUE SERVICE - PAYROLL TAXES	Accounts Payable	Outstanding	Bank Draft	-41,177.58
05/26/2023		DFT0004404	INTERNAL REVENUE SERVICE - PAYROLL TAXES	Accounts Payable	Outstanding	Bank Draft	-15,671.68
05/26/2023		DFT0004405	MINN DEPARTMENT OF REVENUE - PAYROLL TAXES	Accounts Payable	Outstanding	Bank Draft	-23,168.48
05/26/2023		DFT0004406	INTERNAL REVENUE SERVICE - PAYROLL TAXES	Accounts Payable	Outstanding	Bank Draft	-49,947.41
06/01/2023		200674	24RESTORE INC	Accounts Payable	Outstanding	Check	-7,137.90
06/01/2023		200675	ADVANCE COMPANIES INC	Accounts Payable	Outstanding	Check	-872.54
06/01/2023		200676	AMERICAN SOLUTIONS FOR BUSINESS	Accounts Payable	Outstanding	Check	-24.81
06/01/2023		200677	AMSOIL INC	Accounts Payable	Outstanding	Check	-205.97
06/01/2023		200678	ARAMARK UNIFORM SERVICES	Accounts Payable	Outstanding	Check	-133.58
06/01/2023		200679	ASPEN MILLS INC	Accounts Payable	Outstanding	Check	-271.60
06/01/2023		200680	ASTLEFORD INTERNATIONAL TRUCKS	Accounts Payable	Outstanding	Check	-750.92
06/01/2023		200681	AUTONATION FORD WHITE BEAR LAKE	Accounts Payable	Outstanding	Check	-346.45
06/01/2023		200682	BEISSWENGER'S HARDWARE	Accounts Payable	Outstanding	Check	-92.43
06/01/2023		200683	BROWN, JOHN	Accounts Payable	Outstanding	Check	-400.00
06/01/2023		200684	CARDINAL INVESTIGATIONS	Accounts Payable	Outstanding	Check	-2,340.00
06/01/2023		200685	CDW GOVERNMENT INC	Accounts Payable	Outstanding	Check	-336.40
06/01/2023		200686	CENTERPOINT ENERGY-MINNEGASCO	Accounts Payable	Outstanding	Check	-184.16
06/01/2023		200687	COMCAST/XFINITY	Accounts Payable	Outstanding	Check	-1,423.86
06/01/2023		200688	ESS BROTHERS & SONS INC	Accounts Payable	Outstanding	Check	-3,019.50
06/01/2023		200689	FALLON, JACQUELYN MARIE	Accounts Payable	Outstanding	Check	-120.00
06/01/2023		200690	FLEET PRIDE TRUCK & TRAILER PARTS	Accounts Payable	Outstanding	Check	-41.66
06/01/2023		200691	GENUINE PARTS CO/NAPA	Accounts Payable	Outstanding	Check	-4.39
06/01/2023		200692	GERTENS GREENHOUSE INC	Accounts Payable	Outstanding	Check	-282.85
06/01/2023		200693	GRAINGER	Accounts Payable	Outstanding	Check	-137.88
06/01/2023		200694	HAWKINS INC	Accounts Payable	Outstanding	Check	-3,343.24
06/01/2023		200695	HOFFMAN BROS. SOD	Accounts Payable	Outstanding	Check	-75.00
06/01/2023		200696	HOME DEPOT CREDIT SERVICES	Accounts Payable	Outstanding	Check	-1,052.73
06/01/2023		200697	JOHNSON, KORRIE	Accounts Payable	Outstanding	Check	-190.00
06/01/2023		200698	JOLLY POPS LLC	Accounts Payable	Outstanding	Check	-700.00
06/01/2023		200699	JONES & BARTLETT LEARNING LLC	Accounts Payable	Outstanding	Check	-94.65
06/01/2023		200700	KENNEDY & GRAVEN CHARTERED	Accounts Payable	Outstanding	Check	-4,569.75
06/01/2023		200701	LEAGUE OF MINNESOTA CITIES	Accounts Payable	Outstanding	Check	-45.00
06/01/2023		200702	LEAGUE OF MN CITIES INS TRUST	Accounts Payable	Outstanding	Check	-6,154.14
06/01/2023		200703	LRG TECHNOLOGIES LLC/MOBILE PRO SYSTEMS	Accounts Payable	Outstanding	Check	-89,950.00
06/01/2023		200704	MALONE, TOM	Accounts Payable	Outstanding	Check	-695.00
06/01/2023		200705	MARTIN MARIETTA	Accounts Payable	Outstanding	Check	-386.04
06/01/2023		200706	METRO VOLLEYBALL OFFICIALS ASSOCIATION	Accounts Payable	Outstanding	Check	-680.00

Bank Transaction Report

Issued Date Range

Issued Date	Cleared Date	Number	Description	Module	Status	Type	Amount
06/01/2023		200707	MILTICH, ANTHONY	Accounts Payable	Outstanding	Check	-450.00
06/01/2023		200708	MINN DEPT OF HEALTH	Accounts Payable	Outstanding	Check	-150.00
06/01/2023		200709	MINN DEPT OF HEALTH	Accounts Payable	Outstanding	Check	-46.00
06/01/2023		200710	MINN DEPT OF LABOR & INDUSTRY	Accounts Payable	Outstanding	Check	-1,122.01
06/01/2023		200711	MINN DEPT OF PUBLIC SAFETY - FISCAL & ADMIN	Accounts Payable	Outstanding	Check	-59.90
06/01/2023		200712	MTI DISTRIBUTING CO	Accounts Payable	Outstanding	Check	-131.85
06/01/2023		200713	NATL FIRE PROTECTION ASSOC-NFPA	Accounts Payable	Outstanding	Check	-307.75
06/01/2023		200714	NFP INSURANCE SERVICES INC	Accounts Payable	Outstanding	Check	-686.25
06/01/2023		200715	PIONEER RIM & WHEEL COMPANY	Accounts Payable	Outstanding	Check	-246.56
06/01/2023		200716	QUADIENT FINANCE USA INC	Accounts Payable	Outstanding	Check	-1,800.00
06/01/2023		200717	READY WATT ELECTRIC	Accounts Payable	Outstanding	Check	-235.00
06/01/2023		200718	SCHUSTER, ALISA	Accounts Payable	Outstanding	Check	-43.00
06/01/2023		200719	STEIGER, NICHOLAS	Accounts Payable	Outstanding	Check	-1,650.00
06/01/2023		200720	STREICHER'S	Accounts Payable	Outstanding	Check	-179.99
06/01/2023		200721	STRYKER SALES CORPORTION	Accounts Payable	Outstanding	Check	-180.96
06/01/2023		200722	TITAN MACHINERY	Accounts Payable	Outstanding	Check	-41,986.59
06/01/2023		200723	USA BLUEBOOK	Accounts Payable	Outstanding	Check	-265.47
06/01/2023		200724	WILSON'S NURSERY INC	Accounts Payable	Outstanding	Check	-2,270.00
06/01/2023		200725	WSB & ASSOCIATES INC	Accounts Payable	Outstanding	Check	-11,028.75
06/01/2023		200726	XCEL ENERGY	Accounts Payable	Outstanding	Check	-17,327.38
06/01/2023		DFT0004408	SVAP II FRIDLEY MARKET LLC	Accounts Payable	Outstanding	Bank Draft	-19,364.29
06/05/2023		DFT0004413	DELTA DENTAL PLAN OF MINNESOTA	Accounts Payable	Outstanding	Bank Draft	-8,997.66
06/07/2023		199919	JOHN DEERE GOVERNMENT & NATL SALES Reversal	Accounts Payable	Outstanding	Check Reversal	14,521.88
06/07/2023		200727	56 BREWING LLC	Accounts Payable	Outstanding	Check	-702.00
06/07/2023		200728	AM CRAFT SPIRITS SALES	Accounts Payable	Outstanding	Check	-390.43
06/07/2023		200729	AMERICAN BOTTLING COMPANY	Accounts Payable	Outstanding	Check	-534.17
06/07/2023		200730	ARTISAN BEER COMPANY	Accounts Payable	Outstanding	Check	-14,457.60
06/07/2023		200731	BELLBOY CORPORATION	Accounts Payable	Outstanding	Check	-5,210.41
06/07/2023		200732	BETTER BEV CO	Accounts Payable	Outstanding	Check	-132.00
06/07/2023		200733	BLUE CLOUD DISTRIBUTION OF MN	Accounts Payable	Outstanding	Check	-970.00
06/07/2023		200734	BOURGET IMPORTS	Accounts Payable	Outstanding	Check	-514.00
06/07/2023		200735	BREAKTHRU BEVERAGE BEER LLC	Accounts Payable	Outstanding	Check	-135,772.30
06/07/2023		200736	BREAKTHRU BEVERAGE WINE & SPIRITS	Accounts Payable	Outstanding	Check	-21,985.99
06/07/2023		200737	BROKEN CLOCK BREWING COOPERATIVE	Accounts Payable	Outstanding	Check	-241.00
06/07/2023		200738	CAPITOL BEVERAGE SALES	Accounts Payable	Outstanding	Check	-55,733.02
06/07/2023		200739	CLEAR RIVER BEVERAGE	Accounts Payable	Outstanding	Check	-5,656.25
06/07/2023		200740	COCA-COLA DISTRIBUTION	Accounts Payable	Outstanding	Check	-1,724.64
06/07/2023		200741	DREKKER BREWING COMPANY	Accounts Payable	Outstanding	Check	-1,467.00
06/07/2023		200742	DUAL CITIZEN BREWING CO	Accounts Payable	Outstanding	Check	-80.00
06/07/2023		200743	GRAPE BEGINNINGS / WINEBOW	Accounts Payable	Outstanding	Check	-2,820.22
06/07/2023		200744	HOHENSTEINS INC	Accounts Payable	Outstanding	Check	-12,597.10
06/07/2023		200745	INBOUND BREWCO	Accounts Payable	Outstanding	Check	-331.50
06/07/2023		200746	INVICTUS BREWING	Accounts Payable	Outstanding	Check	-166.00

Bank Transaction Report

Issued Date Range

Issued Date	Cleared Date	Number	Description	Module	Status	Type	Amount
06/07/2023		200747	JOHNSON BROTHERS LIQUOR	Accounts Payable	Outstanding	Check	-102,320.64
06/07/2023		200748	LOMPIAN WINES LLC	Accounts Payable	Outstanding	Check	-261.50
06/07/2023		200749	MATTSON ICE	Accounts Payable	Outstanding	Check	-1,531.95
06/07/2023		200750	MAVERICK WINE COMPANY	Accounts Payable	Outstanding	Check	-504.00
06/07/2023		200751	MOOSE LAKE BREWING COMPANY	Accounts Payable	Outstanding	Check	-162.00
06/07/2023		200752	OLD WORLD BEER	Accounts Payable	Outstanding	Check	-1,231.50
06/07/2023		200753	PAUSTIS WINE COMPANY	Accounts Payable	Outstanding	Check	-4,724.00
06/07/2023		200754	PEPSI COLA BOTTLING CO	Accounts Payable	Outstanding	Check	-405.30
06/07/2023		200755	PHILLIPS WINE & SPIRITS	Accounts Payable	Outstanding	Check	-17,745.92
06/07/2023		200756	PORTAGE BREWING COMPANY	Accounts Payable	Outstanding	Check	-124.50
06/07/2023		200757	PRYES BREWING	Accounts Payable	Outstanding	Check	-613.00
06/07/2023		200758	QUALITY REFRIGERATION SERVICE	Accounts Payable	Outstanding	Check	-358.87
06/07/2023		200759	RED BULL DISTRIBUTION	Accounts Payable	Outstanding	Check	-1,009.54
06/07/2023		200760	SOUTHERN WINE / SOUTHERN GLAZERS	Accounts Payable	Outstanding	Check	-60,895.87
06/07/2023		200761	SP3 LLC - PEQUOD DISTRIBUTING	Accounts Payable	Outstanding	Check	-1,454.50
06/07/2023		200762	SUMMER LAKES BEVERAGE	Accounts Payable	Outstanding	Check	-220.50
06/07/2023		200763	TRADITION WINE & SPIRIT	Accounts Payable	Outstanding	Check	-1,407.00
06/07/2023		200764	UDOFOT ENTERPRISES INC	Accounts Payable	Outstanding	Check	-110.00
06/07/2023		200765	URBAN GROWLER BREWING COMPANY LLC	Accounts Payable	Outstanding	Check	-124.00
06/07/2023		200766	VINOCOPIA INC	Accounts Payable	Outstanding	Check	-1,235.13
06/07/2023		200767	WINE COMPANY	Accounts Payable	Outstanding	Check	-1,132.07
06/07/2023		200768	WINE MERCHANTS	Accounts Payable	Outstanding	Check	-4,128.00
06/07/2023		200769	WOODEN SHIP BREWING CO	Accounts Payable	Outstanding	Check	-252.00
06/07/2023		200770	Z WINES USA	Accounts Payable	Outstanding	Check	-353.50
06/07/2023		200771	24RESTORE INC	Accounts Payable	Outstanding	Check	-5,221.04
06/07/2023		200772	ALLEGRA PRINT & IMAGING	Accounts Payable	Outstanding	Check	-282.50
06/07/2023		200773	ANOKA COUNTY SHERIFF'S OFFICE	Accounts Payable	Outstanding	Check	-1,426.62
06/07/2023		200774	ANOKA RAMSEY COMMUNITY COLLEGE	Accounts Payable	Outstanding	Check	-750.00
06/07/2023		200775	ANOKA, CITY OF - POLICE	Accounts Payable	Outstanding	Check	-710.00
06/07/2023		200776	ARAMARK UNIFORM SERVICES	Accounts Payable	Outstanding	Check	-783.48
06/07/2023		200777	ARMOUR CREATIVE LLC	Accounts Payable	Outstanding	Check	-75.00
06/07/2023		200778	ASPEN MILLS INC	Accounts Payable	Outstanding	Check	-371.89
06/07/2023		200779	AUTONATION FORD WHITE BEAR LAKE	Accounts Payable	Outstanding	Check	-689.20
06/07/2023		200780	BATTERIES PLUS	Accounts Payable	Outstanding	Check	-20.05
06/07/2023		200781	BENEFIT RESOURCE LLC - BPA/VEBA	Accounts Payable	Outstanding	Check	-560.00
06/07/2023		200782	BLAINE, CITY OF - POLICE	Accounts Payable	Outstanding	Check	-300.00
06/07/2023		200783	CENTURY LINK	Accounts Payable	Outstanding	Check	-838.24
06/07/2023		200784	CERES ENVIRONMENTAL INC	Accounts Payable	Outstanding	Check	-210.00
06/07/2023		200785	CIVICPLUS	Accounts Payable	Outstanding	Check	-940.20
06/07/2023		200786	COLUMBIA HEIGHTS POLICE DEPARTMENT	Accounts Payable	Outstanding	Check	-1,065.00
06/07/2023		200787	COON RAPIDS POLICE DEPARTMENT	Accounts Payable	Outstanding	Check	-3,866.51
06/07/2023		200788	CROTEGA LLC	Accounts Payable	Outstanding	Check	-454.74
06/07/2023		200789	CULLIGAN	Accounts Payable	Outstanding	Check	-722.60

Bank Transaction Report

Issued Date Range

Issued Date	Cleared Date	Number	Description	Module	Status	Type	Amount
06/07/2023		200790	DIAMOND VOGEL PAINT	Accounts Payable	Outstanding	Check	-109.50
06/07/2023		200791	DRIVEN WILD GOOSE CONTROL	Accounts Payable	Outstanding	Check	-1,260.00
06/07/2023		200792	EMBLEM AUTHORITY	Accounts Payable	Outstanding	Check	-1,826.00
06/07/2023		200793	EMERGENCY AUTOMOTIVE TECHNOLOGIES	Accounts Payable	Outstanding	Check	-166.12
06/07/2023		200794	FLUID INTERIORS LLC	Accounts Payable	Outstanding	Check	-902.86
06/07/2023		200795	GERTENS GREENHOUSE INC	Accounts Payable	Outstanding	Check	-3,495.89
06/07/2023		200796	GOPHER STATE ONE-CALL INC	Accounts Payable	Outstanding	Check	-476.55
06/07/2023		200797	HANNEMAN, CLEONE	Accounts Payable	Outstanding	Check	-50.00
06/07/2023		200798	HI-TECH REFRIGERATION	Accounts Payable	Outstanding	Check	-3,700.20
06/07/2023		200799	INTERSTATE ALL BATTERY CENTER	Accounts Payable	Outstanding	Check	-347.90
06/07/2023		200800	KARSTEN, CALE	Accounts Payable	Outstanding	Check	-87.96
06/07/2023		200801	LAKE RESTORATION INC	Accounts Payable	Outstanding	Check	-308.00
06/07/2023		200802	LEAGUE OF MINNESOTA CITIES	Accounts Payable	Outstanding	Check	-30.00
06/07/2023		200803	LEPAGE & SONS	Accounts Payable	Outstanding	Check	-1,378.80
06/07/2023		200804	MARK'S WELDING & FABRICATING LLC	Accounts Payable	Outstanding	Check	-50.00
06/07/2023		200805	MARTIN MARIETTA	Accounts Payable	Outstanding	Check	-539.43
06/07/2023		200806	MENARDS - FRIDLEY	Accounts Payable	Outstanding	Check	-76.91
06/07/2023		200807	METERING & TECHNOLOGY SOLUTIONS	Accounts Payable	Outstanding	Check	-41.20
06/07/2023		200808	METROPOLITAN COUNCIL	Accounts Payable	Outstanding	Check	-3,354.65
06/07/2023		200809	MINN OCCUPATIONAL HEALTH	Accounts Payable	Outstanding	Check	-68.00
06/07/2023		200810	MINNESOTA AG POWER INC/MIDWEST MACHINERY	Accounts Payable	Outstanding	Check	-13,871.88
06/07/2023		200811	MTI DISTRIBUTING CO	Accounts Payable	Outstanding	Check	-69.55
06/07/2023		200812	NELSON CHEESE & DELI	Accounts Payable	Outstanding	Check	-59.70
06/07/2023		200813	NORTHERN POWER PRODUCTS INC	Accounts Payable	Outstanding	Check	-351.03
06/07/2023		200814	NORTHERN TOOL & EQUIPMENT	Accounts Payable	Outstanding	Check	-389.97
06/07/2023		200815	ON SITE COMPANIES	Accounts Payable	Outstanding	Check	-158.00
06/07/2023		200816	QUICKSILVER EXPRESS COURIER	Accounts Payable	Outstanding	Check	-176.64
06/07/2023		200817	RAMSEY, CITY OF - POLICE	Accounts Payable	Outstanding	Check	-710.00
06/07/2023		200818	RECYCLE TECHNOLOGIES INC	Accounts Payable	Outstanding	Check	-9,177.45
06/07/2023		200819	ROCK SOLID LANDSCAPE & IRRIGATION	Accounts Payable	Outstanding	Check	-440.00
06/07/2023		200820	RUFFRIDGE JOHNSON EQUIP CO INC	Accounts Payable	Outstanding	Check	-242.00
06/07/2023		200821	SCHIFSKY & SONS INC	Accounts Payable	Outstanding	Check	-837.76
06/07/2023		200822	SM HENTGES & SONS INC	Accounts Payable	Outstanding	Check	-408,536.52
06/07/2023		200823	SPRING LAKE PARK, CITY OF - POLICE	Accounts Payable	Outstanding	Check	-703.62
06/07/2023		200824	STAR TRIBUNE	Accounts Payable	Outstanding	Check	-898.94
06/07/2023		200825	SUPPLY SOLUTIONS LLC	Accounts Payable	Outstanding	Check	-761.19
06/07/2023		200826	TALLEN AND BAERTSCHI	Accounts Payable	Outstanding	Check	-344.50
06/07/2023		200827	T-MOBILE	Accounts Payable	Outstanding	Check	-25.00
06/07/2023		200828	TOTAL ENERGY SYSTEMS	Accounts Payable	Outstanding	Check	-610.00
06/07/2023		200829	UHL COMPANY	Accounts Payable	Outstanding	Check	-509.00
06/07/2023		200830	VTI SECURITY / VIDEO TRONIX INC	Accounts Payable	Outstanding	Check	-300.00
06/07/2023		200831	XCEL ENERGY	Accounts Payable	Outstanding	Check	-31.05
06/07/2023		200832	FRIDLEY FIRE RELIEF ASSOC	Accounts Payable	Outstanding	Check	-1,080.00

Bank Transaction Report

Issued Date Range

Issued Date	Cleared Date	Number	Description	Module	Status	Type	Amount
06/07/2023		200833	FRIDLEY POLICE ASSOCIATION	Accounts Payable	Outstanding	Check	-196.00
06/07/2023		200834	LAW ENFORCEMENT LABOR SERVICES	Accounts Payable	Outstanding	Check	-2,860.80
06/07/2023		200835	LEGALSHIELD	Accounts Payable	Outstanding	Check	-483.45
06/07/2023		200836	MINN CHILD SUPPORT PAYMENT CENTER	Accounts Payable	Outstanding	Check	-851.40
06/07/2023		200837	NCPERS MINNESOTA-478000	Accounts Payable	Outstanding	Check	-680.00
Accounts Payable Total: (256)							-1,866,697.59
Payroll							
05/26/2023	05/24/2023	12	12	Payroll	Cleared	Check	0.00
05/26/2023		EFT0000186	Payroll EFT	Payroll	Outstanding	EFT	-356,018.15
Payroll Total: (2)							-356,018.15
Utility Billing							
05/18/2023		200564	READ DEUTSCHER	Utility Billing	Outstanding	Check	-254.59
05/18/2023	05/26/2023	200565	LORRAINE V NELSON	Utility Billing	Pending Clear	Check	-110.00
05/18/2023		200566	MAI V XIONG	Utility Billing	Outstanding	Check	-52.07
05/18/2023	05/30/2023	200567	CHRIS & EMILY WHITE	Utility Billing	Pending Clear	Check	-70.22
05/18/2023	05/24/2023	200568	AMANDA & CHRIS HERLOFSKY	Utility Billing	Pending Clear	Check	-65.96
05/18/2023	05/24/2023	200569	JAMES T CYSON	Utility Billing	Pending Clear	Check	-15.86
05/18/2023		200570	LEONARD STEINERT	Utility Billing	Outstanding	Check	-71.83
05/18/2023	05/26/2023	200571	TRUE NEIGHBOR	Utility Billing	Pending Clear	Check	-126.54
05/18/2023	05/30/2023	200572	MIDWEST TOWNHOME	Utility Billing	Pending Clear	Check	-8.08
05/18/2023	05/23/2023	200573	ESTATE OF PAUL GROSS	Utility Billing	Pending Clear	Check	-43.20
05/18/2023	05/30/2023	200574	SUSAN NIEDENFUER	Utility Billing	Pending Clear	Check	-7.36
05/18/2023	05/23/2023	200575	SEAN MAYNARD	Utility Billing	Pending Clear	Check	-58.32
05/18/2023		200576	JEREMY & MCKENZIE CHUBB	Utility Billing	Outstanding	Check	-110.75
05/18/2023		200577	MARKEYZ GRAHAM	Utility Billing	Outstanding	Check	-44.91
05/18/2023		200578	ESTATE OF RICHARD EISNER	Utility Billing	Outstanding	Check	-18.58
05/18/2023		200579	LORA ZGUTOWICZ	Utility Billing	Outstanding	Check	-20.15
05/18/2023	05/30/2023	200580	MIDWEST TOWNHOME	Utility Billing	Pending Clear	Check	-12.82
05/18/2023	05/30/2023	200581	MARTHA J BRUN	Utility Billing	Pending Clear	Check	-79.20
05/18/2023	05/23/2023	200582	ESTATE OF BONNIE FINLAYSON	Utility Billing	Pending Clear	Check	-36.98
05/18/2023		200583	DAVID RUST	Utility Billing	Outstanding	Check	-109.27
05/18/2023		200584	MARY F SHERIDAN	Utility Billing	Outstanding	Check	-188.38
05/18/2023	05/24/2023	200585	MARY DELVO	Utility Billing	Pending Clear	Check	-37.12
05/18/2023		200586	MARIE ZEGLAND	Utility Billing	Outstanding	Check	-57.59
05/18/2023	05/23/2023	200587	ESTATE OF IVANA BARYSCH	Utility Billing	Pending Clear	Check	-55.53
05/18/2023	05/26/2023	200588	MARGARET R NELSON	Utility Billing	Pending Clear	Check	-69.70
05/18/2023		200589	MIDWEST TOWNHOME	Utility Billing	Outstanding	Check	-201.30
05/18/2023		200590	KEITH HAGBERG	Utility Billing	Outstanding	Check	-62.67
05/18/2023	05/24/2023	200591	JODI BYERS	Utility Billing	Pending Clear	Check	-126.02
05/18/2023		200592	ROBERT KACZMAREK	Utility Billing	Outstanding	Check	-25.04
05/18/2023	05/24/2023	200593	HARLAN MAHOWALD	Utility Billing	Pending Clear	Check	-126.32
05/18/2023	05/26/2023	200594	JEROME WISS	Utility Billing	Pending Clear	Check	-63.23

Bank Transaction Report

Issued Date	Cleared Date	Number	Description	Module	Status	Type	Amount
05/18/2023	05/26/2023	200595	NICHOLAS CARVER	Utility Billing	Pending Clear	Check	-134.77
05/18/2023	05/30/2023	200596	HERMAN & GAYLE HEINECKE	Utility Billing	Pending Clear	Check	-87.21
05/18/2023	05/26/2023	200597	ESTATE OF EUGENE ERICKSON	Utility Billing	Pending Clear	Check	-23.95
05/18/2023		200598	DEAN & BRENDA MILLER	Utility Billing	Outstanding	Check	-179.04
05/18/2023		200599	RICHARD ZEMBAL	Utility Billing	Outstanding	Check	-180.75
05/18/2023	05/31/2023	200600	AISHA KADIR HUSSEIN	Utility Billing	Pending Clear	Check	-32.26
05/18/2023	05/24/2023	200601	NANCY DIBOS	Utility Billing	Pending Clear	Check	-412.89
05/18/2023	05/24/2023	200602	CAITLYN BRUSH	Utility Billing	Pending Clear	Check	-139.05
05/18/2023		200603	NIKKI DEMMERS	Utility Billing	Outstanding	Check	-100.04
05/18/2023	05/24/2023	200604	TYLER BAUMAN	Utility Billing	Pending Clear	Check	-7.77
05/30/2023		200589	Reverse Refund Check MIDWEST TOWNHOME	Utility Billing	Outstanding	Check Reversal	201.30
05/31/2023		200672	DANIEL HINTZ	Utility Billing	Outstanding	Check	-34.00
05/31/2023		200673	CLAUDIA R MAY	Utility Billing	Outstanding	Check	-129.47
Utility Billing Total: (44)							-3,589.49
Report Total: (302)							-2,226,305.23

Bank Account	Count	Amount
0000100479 City of Fridley	302	-2,226,305.23
Report Total:	302	-2,226,305.23

Cash Account	Count	Amount
No Cash Account	1	0.00
999 999-101100 Cash in Bank - CITY Pooled Cash	301	-2,226,305.23
Report Total:	302	-2,226,305.23

Transaction Type	Count	Amount
Bank Draft	23	-488,084.62
Check	275	-1,396,845.64
Check Reversal	2	14,723.18
EFT	2	-356,098.15
Report Total:	302	-2,226,305.23



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Joe Starks, Finance Director/City Treasurer
Scott Hickok, Community Development Director

Title

Resolution No. 2023-63, Approving the Issuance and Sale of Multifamily Housing Revenue Bonds (Moon Plaza Apartments Project), Series 2023, and Approving a Housing Program Pursuant to Minnesota Statutes, Chapter 462C

Background

The City of Fridley (City) previously granted preliminary approval to the issuance of conduit revenue bonds or other obligations (Bonds) in a total principal amount not to exceed \$27 million (Not-to-Exceed Amount). If the Bonds are issued, the proceeds would be lent by the City to Roers Fridley Apartments Owner II LLC (Borrower) for the purpose of financing a portion of the acquisition and construction of an approximately 250,000-square-foot rentable apartment community consisting of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6237 University Avenue NE, and to be owned and operated by the Borrower or a related entity (Project). The City has received an allocation of bonding authority to issue tax-exempt bonds in the amount of \$25,837,893 (Tax-Exempt Bonds).

In May 2023, the Borrower advised that City that it intends to finance the costs of the Project (which are projected to exceed \$44 million) with a combination of the Tax-Exempt Bonds, \$11.74 million of taxable bridge financing (Bridge Loan), and \$6.5 million of taxable debt backed by revenue from tax-increment financing (TIF) approved for the Project by the Fridley Housing and Redevelopment Authority (TIF Loan). The preliminary approval previously given anticipated the City issuing only the Tax-Exempt Bonds. The Borrower requested that the City assist it in accessing the capital markets by acting as issuer for the other two portions of the financing. Because the Bridge Loan and the TIF Loan would be issued as taxable bonds, no allocation of bonding authority is required; however, it is necessary that the upcoming public hearing and the housing program related to the Project each account for both the anticipated Tax-Exempt Bonds and the taxable bonds.

The Fridley City Council (Council), at its meeting on May 22, 2023, adopted a resolution approving an increase in the not-to-exceed amount of the bonds that may be issued by the City from \$27 million to \$50 million, an amount that would accommodate the issuance of all three portions of the financing, and provided related updates to the form of the notice of public hearing on the issuance of the Bonds.

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Taft Stettinius & Hollister LLP will act as bond counsel on the issuance of such Bonds. The Bonds will be purchased by Piper Sandler & Co., acting as underwriter (Underwriter), pursuant to a Bond Purchase Agreement between the Underwriter, the City, and the Borrower. The Underwriter will sell the Bonds to the ultimate holders of the Bonds through a Limited Offering Memorandum.

State and federal laws allow local government units to enter into arrangements to issue bonds and loan the proceeds to private developers to finance or refinance affordable housing projects. This assistance reduces borrowing costs for such borrowers and enables them to provide affordable housing for the residents of the City more cost effectively. It is a common means of obtaining necessary financing for such projects. Oftentimes such projects will also take advantage of low-income housing tax credits, as is the case with this project.

To accomplish this purpose, the City will enter into a Loan Agreement with the Borrower under which the Borrower will agree to pay all principal and interest on the Bonds. The City will assign all of its rights to payments under the Loan Agreement to a trustee (in this case, U.S. Bank Trust Company, National Association (Trustee) under an Indenture of Trust and will loan the purchase price of the Bonds directly to the Borrower. The City is merely a conduit and the money and obligations flow only between the Trustee and the Borrower. The Bonds will be secured by a mortgage and a subordinate mortgage.

The Bonds and the resolutions adopted by the City will recite that the Bonds, if and when issued, will not to be payable from or charged upon any of the City's funds, other than the revenues received under the Loan Agreement and pledged to the payment of the Bonds, and the City is not subject to any liability on the Bonds. The Bonds are not moral obligations on the part of the State or its political subdivisions, including the City, and the Bonds will not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

The Bonds will be issued in accordance with Minnesota Statutes, Chapter 462C. As noted above, the Council previously approved the submission of an application for volume cap allocation, which was made to Minnesota Management and Budget (MMB) in January.

Having received the award of an allocation by MMB, the City must also hold a public hearing on the housing program related to the project and the financing. The housing program was submitted to the Metropolitan Council for its review but, as of the date hereof, the Metropolitan Council has provided no comment. Receipt of comment is not necessary for holding the public hearing or approving or issuing the Bonds. The public hearing notice was published in the Official Publication on May 25, 2023.

At this time, all parties continue to revise minor points of the agreement. Attached are drafts for the Council to consider. The resolution provides that these documents remain subject to finalization, with the assistance of bond counsel. Execution of the documents by the Mayor and City Manager will occur only when the documents are in final form.

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Assuming the Council adopts the resolution, the Tax-Exempt Bonds must be issued no later than July 7, 2023.

Financial Impact

The bonds do not constitute a debt of the City and the City will have no duty to make any payments or pledge any security to the repayment of the bonds, both of which remain the responsibility of the Borrower. Additionally, the Borrower is responsible for any costs (underwriting, legal, etc.) associated with the issuance process. The issuance of the bonds will not affect the City's credit rating and are not subject to any applicable debt limits. Per the City's Conduit Debt Policy, the Borrower will be responsible for paying the City a one-time issuer administrative fee of 1%, which will be calculated based on the principal amount of the bonds actually issued and paid upon closing. Based on the not-to-exceed amount of \$50 million, that would be a payment of \$500,000 to the City.

Recommendation

Staff recommend the Council open the public hearing, take public comment, close the public hearing and approve Resolution No. 2023-63.

Focus on Fridley Strategic Alignment

☒ Vibrant Neighborhoods & Places	☒ Community Identity & Relationship Building
☒ Financial Stability & Commercial Prosperity	☐ Public Safety & Environmental Stewardship
☐ Organizational Excellence	

Attachments and Other Resources

- Resolution No. 2023-63
- Affidavit of Publication
- Draft Financing Documents

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Resolution No. 2023- 63

Approving Issuance and Sale of a Multifamily Housing Revenue Bonds (Moon Plaza Apartments Project), Series 2023, Approving a Housing Program Pursuant to Minnesota Statutes, Chapter 462C

Whereas, the City of Fridley (City) is authorized pursuant to Minnesota Statutes, Chapter 462C, as amended (Act), to finance the making or purchasing of loans with respect to multifamily housing developments within the boundaries of the City through the issuance of revenue obligations; and

Whereas, pursuant to the Act, the full faith and credit of the City will not be pledged to the payment of the principal of, premium, if any, and interest on the Bonds (as defined below); and

Whereas, the City has received a proposal from Roers Fridley Apartments Owner II LLC, a Minnesota limited liability company (Borrower), that the City undertake a program to finance the Project hereinafter described through the issuance of its revenue obligations in the aggregate principal amount not to exceed \$50 million to finance the acquisition and construction of an approximately 250,000 square-foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, including an underground parking garage, expected to be known as Moon Plaza Apartments, located at approximately 6257 University Avenue NE, in the City (Project), which will be owned and operated by the Borrower; and

Whereas, a public hearing on the Project and the housing finance program related thereto (Housing Program) was held this same day, after notice was published in the official newspaper of the City not less than 15 days in advance of said public hearing, and materials were made available for public inspection at the City Hall, all as required by the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (Code), at which public hearing all those appearing who desired to speak were heard and written comments were accepted; and

Whereas, pursuant to Section 462C.04 of the Act, the City made timely submission of the Housing Program to the Metropolitan Council for its review and comment, and the City has received no comment from the Metropolitan Council on such program; and

Whereas, no public official of the City has either a direct or indirect financial interest in the Project nor will any public official either directly or indirectly benefit financially from the Project.

Now therefore, it be resolved by the City Council of the City of Fridley, Minnesota as follows:

1. The Borrower has proposed that the Issuer issue and sell its Multifamily Housing Revenue Bonds (Moon Plaza Apartments Project), Series 2023, in one or more series of tax-exempt and/or taxable bonds (Bonds), in an amount not to exceed \$50 million to finance the costs of the Project, in accordance with this Resolution, an Indenture of Trust (Indenture) between the Issuer and U.S. Bank Trust Company, National Association, as trustee (Trustee), and the

Borrower, and a Loan Agreement between the Issuer and the Borrower (Loan Agreement), which will be assigned to the Trustee, under the terms of the Indenture.

2. Pursuant to the terms of the Loan Agreement, anticipated to be dated as of a date in either June or July of 2023, the Issuer will loan the proceeds of the Bonds (Loan) to the Borrower to finance a portion of the Project and, in turn, the Borrower will provide Promissory Notes to the Issuer to evidence its repayment obligation under the Loan Agreement (Notes). The Borrower has agreed, pursuant to a Regulatory Agreement anticipated to be dated as of a date in either June or July of 2023, by and between the Issuer, the Borrower, and the Trustee (Regulatory Agreement), to operate the Project as a “residential rental project” under Section 142(d) of the Code.

3. The Borrower will execute a Mortgage, Security Agreement, Assignment of Rents, and Fixture Filing (Mortgage) for the benefit of the Issuer to secure the Notes, which will then be assigned by the Issuer to the Trustee pursuant to an Assignment of Mortgage (Assignment).

4. The Borrower will execute a Subordinate Mortgage, Security Agreement, Assignment of Rents, and Fixture Filing (Subordinate Mortgage) for the benefit of the Issuer to secure the Notes, which will then be assigned by the Issuer to the Trustee pursuant to an Assignment of Mortgage (Subordinate Assignment of Mortgage).

5. The Borrower and related parties will provide other collateral and guaranties to secure the Bonds.

6. The Issuer and the Borrower will enter into a Bond Purchase Agreement (Bond Purchase Agreement) with Piper Sandler & Co. (Underwriter) providing for the purchase of the Bonds from the Issuer by the Underwriter and setting forth the terms and conditions of purchase.

7. The Borrower will prepare a Preliminary Limited Offering Memorandum (Limited Offering Memorandum), describing the offering of the Bonds, and certain terms and provisions of the foregoing documents relating to the Bonds.

8. Forms of the following documents have been submitted to the City Council:

- (a) Indenture;
- (b) Loan Agreement;
- (c) Regulatory Agreement;
- (d) Bonds (as an exhibit to the Indenture);
- (e) Mortgage;
- (f) Assignment of Mortgage;

- (g) Subordinate Mortgage;
- (h) Subordinate Assignment of Mortgage;
- (i) Bond Purchase Agreement; and
- (j) Limited Offering Memorandum.

The documents listed in (a) through (d) and (f), (g), and (i) are hereafter referred to as the "Bond Documents."

9. It is hereby found, determined, and declared that:

- (a) the issuance and sale of the Bonds, the execution and delivery by the Issuer of the Bond Documents and the performance of all covenants and agreements of the Issuer contained in the Bond Documents and of all other acts and things required under the constitution and laws of the State of Minnesota to make the Bond Documents and the Bonds valid and binding obligations of the Issuer in accordance with their terms, are authorized by the Act;
- (b) it is desirable that the Bonds be issued by the Issuer upon the terms set forth in this Resolution and the Indenture;
- (c) the basic payments under the Loan Agreement are fixed to produce revenue sufficient to provide for the prompt payment of principal of, premium, if any, and interest on the Bonds issued hereunder when due, and the Loan Agreement also provides that the Borrower is required to pay all expenses of the operation and maintenance of the Project, including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all taxes and special assessments levied upon or with respect to the Project premises and payable during the term of the Loan Agreement;
- (d) under the provisions of Minnesota Statutes, Chapter 462C and as provided in the Loan Agreement, the Bonds are not to be payable from or charged upon any funds other than the revenue pledged to the payment thereof; the Issuer is not subject to any liability thereon; no holder of the Bonds shall ever have the right to compel any exercise by the Issuer of its taxing powers to pay the Bonds or the interest or premiums thereon, or to enforce payment thereof against any property of the Issuer except the interests of the Issuer in the Loan Agreement which have been assigned to the Trustee under the Indenture; the Bonds shall not constitute a charge, lien, or encumbrance, legal or equitable upon any property of the Issuer except the interests of the Issuer in the Loan Agreement which have been assigned to the Trustee under the Indenture; the Bonds shall recite that the Bonds are issued without moral obligation on the part of the state or its political subdivisions, and that the Bonds, including interest thereon, is payable solely from the revenues pledged to the payment thereof; and, the Bonds shall not constitute a debt of the Issuer within the meaning of any constitutional or statutory limitation.

10. The forms of the Bond Documents, Mortgage, the Limited Offering Memorandum and exhibits thereto are approved substantially in the forms submitted. The Bond Documents, in substantially the forms submitted, are directed to be executed in the name and on behalf of the City by the Mayor and City Manager, or their designees. Any other documents and certificates necessary to the transaction described above shall be executed by the appropriate City officers or their designees. Copies of all of the documents necessary to the transaction herein described shall be delivered, filed, and recorded as provided herein and in the Bond Documents.

11. The Issuer shall proceed forthwith to issue the Bonds, in the form and upon the terms set forth in the Indenture and at a net interest rate on the Series 2023A Bonds (as defined in the Indenture) not to exceed 7.0% per annum, a net interest rate on the Series 2023B Bonds (as defined in the Indenture) not to exceed 9.0% per annum, and a net interest rate on the Series 2023C Bonds (as defined in the Indenture) not to exceed 9.0% per annum. The Bonds will be purchased on substantially the terms set forth in the Indenture and this Resolution. The Mayor and City Manager are authorized and directed to prepare and execute the Bonds as prescribed herein and to deliver them to the Trustee for authentication and delivery to the original purchaser(s) thereof.

12. As requested by the Underwriter, the Issuer hereby consents to the circulation by the Underwriter of the Limited Offering Memorandum in offering the Bonds for sale; provided, however, that the Issuer has not participated in the preparation of the Limited Offering Memorandum or independently verified the information in the Limited Offering Memorandum except with respect to the information under the heading "THE ISSUER" and with respect to litigation against the Issuer relating to issuance of the Bonds (of which there is none) under the heading "LITIGATION-The Issuer", and takes no responsibility for, and makes no representations or warranties as to, the accuracy, completeness or sufficiency of such information.

13. The Mayor and City Manager and other officers of the Issuer are authorized and directed to prepare and furnish to the Trustee 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 relating to the legality of the Bonds as such facts appear 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 contained herein.

14. The approval hereby given to the various documents referred to above includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by the City Attorney and the Issuer officials authorized herein to execute said documents prior to their execution; and said Issuer officials are hereby authorized to approve said changes on behalf of the Issuer. The execution of any instrument by the appropriate official or officials herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof.

15. The approval hereby given to the Bond Documents and the various other documents referred to in paragraph 8 above includes approval of (a) such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by Bond Counsel, the Underwriter, the City Attorney and the Issuer officials authorized herein to execute said documents prior to their execution and (b) such additional documents, agreements or certificates as may be necessary and appropriate in connection with the Bond Documents and with the issuance and sale of the Bonds and approved by Bond Counsel, the Underwriter, the City Attorney and Issuer officials authorized herein to execute said documents prior to their execution; and said City Attorney and Issuer officials are hereby authorized to approve said changes or additional documents, agreements or certificates on behalf of the Issuer. The execution of any instrument by the appropriate officer or officers of the Issuer herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms thereof and hereof. In the absence (or inability) of the Mayor or the City Manager, any of the documents authorized by this resolution to be executed by them may be executed by the Acting Mayor or the Acting City Manager, or their designees.

16. The Housing Program, substantially in the form attached hereto as Exhibit A, is hereby approved.

Passed and Adopted by the City Council of the City of Fridley, Minnesota this 12th day of June, 2023.

Scott J. Lund, Mayor

Attest:

Melissa Moore, City Clerk

Exhibit A

PROGRAM FOR FINANCING AN AFFORDABLE MULTIFAMILY RENTAL HOUSING DEVELOPMENT

Proposal Authority. Pursuant to Minnesota Statutes, Chapter 462C (the "Act"), the City of Fridley, Minnesota (the "City") is authorized to develop and administer programs of making loans to finance multifamily housing developments and functionally related facilities. Minnesota Statutes, Section 462C.05, subdivision 2, provides that such multifamily housing developments can be designed to be affordable for persons or households of low to moderate income. Minnesota Statutes, Section 462C.07, provides that the City may issue revenue bonds to finance such programs and developments. This affordable multifamily rental housing development finance program (this "Program") is undertaken by the City to finance a Project, as hereinafter described, which shall be owned and operated by Roers Fridley Apartments Owner II LLC, a Minnesota limited liability company (the "Borrower"). The City proposes to issue one or more series of tax-exempt and/or taxable revenue bonds or other obligations (the "Bonds") pursuant to the Act to assist in financing the Project.

General Description of the Project and Location. The Project consists of the acquisition and construction of an approximately 250,000-square-foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6257 University Avenue NE in the City.

The Project is designed and is intended for residency by persons or households of low to moderate income, pursuant to the Act. The Facility will consist of the following living units:

<u>Units</u>	<u>Number of Units</u>	<u>Square Footage Per Unit</u>	<u>Estimated Initial Rents Per Unit</u>
1 BR/1 Bath	50	752	\$642-1,341/month
2 BR/2 Bath	68	1,000	\$754-1,602/month
3 BR/2 Bath	51	1,368	\$877-1,846/month

Operation of the Project. The Borrower will operate the Project in accordance with applicable development restrictions, and all construction will be subject to applicable state and local building codes. The Project, as proposed, is not inconsistent with any Housing Plan adopted by the City under the Act. The Project will be available for rental to the general public. The Borrower will be required to operate the Project in accordance with state and local anti-discrimination laws and ordinances.

Bonds. The Borrower has indicated that the original principal amount of the Bonds, expected to be issued by the City no later than July of 2023, to finance the Project, and, if needed, to fund appropriate reserves and to pay the costs of issuing the Bonds, will not exceed \$50,000,000. The Bonds may be structured so as to take advantage of whatever means are available or necessary and are permitted by law to enhance the security for and marketability of the Bonds. Substantially all of the net proceeds of the Bonds (the initial principal amount thereof, less amounts deposited in a reasonably required reserve or paid out as costs of issuance of the Bonds) will be used to pay the costs of the Project, including any functionally related and subordinate facilities. The Bonds will be issued pursuant to Section 462C.07, subdivision 1, of the Act and are and will be payable primarily from revenues of the Project.

Allocation of Issuance Authority. An allocation of authority to issue tax-exempt bonds is required pursuant to Minnesota Statutes, Chapter 474A, and the Borrower has received such allocation from the State, pursuant to that certain Certificate of Allocation for Residential Rental Projects, Number 447, dated January 10, 2023.

Monitoring. The Borrower expects to enter into suitable agreements with necessary parties to ensure consistent compliance with the objectives of this Program, as well as with the requirements of applicable law.

Affordability. The Project has been designed to be affordable, and all or a portion of the units thereof shall be leased to persons or households of low to moderate income, all in accordance with the Act and other applicable state and federal laws. Furthermore, in connection with the loan to be made from the proceeds of the issuance of the Bonds, the Borrower expects to enter into certain agreements covenanting the Borrower to maintain the affordability of the Project and to ensure that a certain percentage of the units thereof are leased to persons or households of low to moderate income, all for so long as the Bonds are outstanding.

Use of Bond Proceeds. The proceeds of the Bonds will be loaned to the Borrower pursuant to a loan agreement (the "Loan Agreement") by and between the City and the Borrower. The Borrower will be required, pursuant to the Loan Agreement, to make payments sufficient to pay when due the principal of, premium, if any, and interest on the Bonds.

Project Costs. The costs of the Project and the program of financing the Project, including specifically the costs of the City, generally will be paid or reimbursed by the Borrower.

STATE OF MINNESOTA)
)
 COUNTY OF ANOKA)

I, the undersigned, being the duly qualified and acting City Manager of the City of Fridley, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City duly called and held on the date therein indicated, insofar as such minutes relate to giving approval on a proposed multifamily housing revenue bonds to finance a housing finance program.

WITNESS my hand this ____ day of _____, 2023.

 City Manager

AFFIDAVIT OF PUBLICATION

STATE OF MINNESOTA)
COUNTY OF HENNEPIN)



650 3rd Ave. S, Suite 1300 | Minneapolis, MN | 55488

Terri Swanson, being first duly sworn, on oath states as follows:

1. (S)He is and during all times herein stated has been an employee of the Star Tribune Media Company LLC, a Delaware limited liability company with offices at 650 Third Ave. S., Suite 1300, Minneapolis, Minnesota 55488, or the publisher's designated agent. I have personal knowledge of the facts stated in this Affidavit, which is made pursuant to Minnesota Statutes §331A.07.
2. The newspaper has complied with all of the requirements to constitute a qualified newspaper under Minnesota law, including those requirements found in Minnesota Statutes §331A.02.
3. The dates of the month and the year and day of the week upon which the public notice attached/copied below was published in the newspaper are as follows:

<u>Dates of Publication</u>	<u>Advertiser</u>	<u>Account #</u>	<u>Order #</u>
StarTribune 05/25/2023	FRIDLEY CITY OF	1000019971	458948

4. The publisher's lowest classified rate paid by commercial users for comparable space, as determined pursuant to § 331A.06, is as follows: **\$154.84**

5. Mortgage Foreclosure Notices. Pursuant to Minnesota Statutes §580.033 relating to the publication of mortgage foreclosure notices: The newspaper's known office of issue is located in Hennepin County. The newspaper complies with the conditions described in §580.033, subd. 1, clause (1) or (2). If the newspaper's known office of issue is located in a county adjoining the county where the mortgaged premises or some part of the mortgaged premises described in the notice are located, a substantial portion of the newspaper's circulation is in the latter county.

FURTHER YOUR AFFIANT SAITH NOT.

Terri Swanson

Subscribed and sworn to before me on: 05/25/2023

Diane E. Rak Kleszyk



Notary Public

LOAN AGREEMENT

by and between

CITY OF FRIDLEY, MINNESOTA

and

ROERS FRIDLEY APARTMENTS OWNER II, LLC

Dated as of [_____] 1, 2023]

Relating to:

**CITY OF FRIDLEY, MINNESOTA
MULTIFAMILY HOUSING REVENUE BONDS
(MOON PLAZA PROJECT)**

Consisting of:

**\$25,837,893 Series 2023A
\$11,740,000 Taxable Series 2023B
\$6,126,000 Taxable Series 2023C**

The amounts payable to City of Fridley, Minnesota (the “Issuer”) and other rights of the Issuer (except for Reserved Rights), under this Loan Agreement have been pledged and assigned to U.S. Bank Trust Company, National Association as trustee (the “Trustee”) under the Indenture of Trust by and between the Issuer and the Trustee dated as of [_____] 1, 2023].

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS.....	3
Section 1.1 Definitions	3
Section 1.2 Rules of Construction; Time of Day	3

ARTICLE II

LOAN AND PROVISIONS FOR REPAYMENT	4
Section 2.1 Basic Loan and Repayment Terms.....	4
Section 2.2 Fees.....	4
Section 2.3 Termination; Voluntary Prepayment and Redemption	5
Section 2.4 Obligations Absolute	6
Section 2.5 Indemnification	6
Section 2.6 Amounts Remaining on Deposit Upon Payment of the Bonds	9

ARTICLE III

SECURITY	10
Section 3.1 Mortgage and Other Security Documents	10
Section 3.2 Financing Statements	11
Section 3.3 Internal Revenue Service Examination	11

ARTICLE IV

REPRESENTATIONS OF ISSUER.....	12
Section 4.1 Representations by the Issuer	12
Section 4.2 No Liability of Issuer; No Charge Against Issuer's Credit	14
Section 4.3 Nonrecourse Obligation of the Issuer.....	14

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE BORROWER	15
Section 5.1 Existence	15
Section 5.2 Power, Authorization and No Conflicts	15
Section 5.3 Governmental Authorizations and Other Approvals.....	15
Section 5.4 Validity and Binding Effect	16
Section 5.5 No Litigation	16
Section 5.6 No Violations	16
Section 5.7 Compliance.....	17

Section 5.8	Title to Properties; Liens and Encumbrances.....	17
Section 5.9	Utilities and Access	17
Section 5.10	Financial Information	18
Section 5.11	ERISA	18
Section 5.12	Environmental Representations.....	19
Section 5.13	Outstanding Obligations and Material Contracts	19
Section 5.14	Solvency	20
Section 5.15	Full Disclosure	20
Section 5.16	Bond Documents	20
Section 5.17	Illegal Activity.....	21
Section 5.18	Executive Order 13224.....	21
Section 5.19	No Broker	21
Section 5.20	Construction Contract; Architect's Agreement	21
Section 5.21	Development Budget.....	21
Section 5.22	Plans and Specifications	21
Section 5.23	Survey.....	22
Section 5.24	Flood Plain	22
Section 5.25	Requisition.....	22
ARTICLE VI		
GENERAL COVENANTS.....		23
Section 6.1	Conduct of Business; Maintenance of Existence; Mergers.....	23
Section 6.2	Compliance with Legal Requirements; Payment of Impositions	23
Section 6.3	Maintenance of Governmental Authorizations	23
Section 6.4	Maintenance of Insurance	23
Section 6.5	Compliance with Other Contracts and Bond Documents	25
Section 6.6	Maintenance of Project.....	25
Section 6.7	Inspection Rights.....	25
Section 6.8	Keeping of Books.....	26
Section 6.9	Reporting Requirements.....	27
Section 6.10	Tax-Exempt Status	29
Section 6.11	Single Purpose Entities.....	32
Section 6.12	Negative Pledge; No Sale.....	33

Section 6.13	Payment of Indebtedness; Accounts Payable; Restrictions on Indebtedness	33
Section 6.14	Environmental Covenants	34
Section 6.15	Bondholder Representative	36
Section 6.16	Tax Returns	36
Section 6.17	Leases	36
Section 6.18	Further Assurances	37
Section 6.19	Management Agreement	37
Section 6.20	Determination of Taxability	38
Section 6.21	Use of Series 2023A Proceeds	38
Section 6.22	Compliance With Anti-Terrorism Regulations	38
Section 6.23	Adoption of Capital and Operating Budgets	39
Section 6.24	Borrower's Approval of Indenture	40
Section 6.25	Conditions Precedent; Payment of Certain Fees, Deposits and Expenses	40
Section 6.26	Additional Conditions Precedent.....	40
Section 6.27	Construction of Improvements.....	40
Section 6.28	Evidence of Payment of Costs.....	41
Section 6.29	Correction of Deficiencies in Improvements	41
Section 6.30	Sufficiency of Loan Proceeds.....	41
Section 6.31	Use of Loan Proceeds.....	41
Section 6.32	Continuing Disclosure	42
Section 6.33	Non-discrimination.....	42
Section 6.34	Drilling at Property.....	42
Section 6.35	Payment and Performance Bonds.....	42
Section 6.36	Stabilization Shortfall.....	42
ARTICLE VII		
DEFAULTS AND REMEDIES		44
Section 7.1	Defaults	44
Section 7.2	Remedies	47
Section 7.3	No Waivers; Consents	49
Section 7.4	No Waiver; Remedies Cumulative.....	49
Section 7.5	Set-Off.....	49

Section 7.6	Issuer and Borrower to Give Notice of Default	50
Section 7.7	Cure by Tax Credit Investor	50
Section 7.8	Default Rate; Acceleration Premium	50
Section 7.9	Reserved Rights; Regulatory Agreement Defaults	50

ARTICLE VIII

DEPOSITS TO FUNDS		52
Section 8.1	Deposits to and Disbursements from the Replacement Reserve Fund.....	52
Section 8.2	Deposits to Tax and Insurance Escrow Fund	52
Section 8.3	Intentionally Omitted	52
Section 8.4	Deposits to Redemption Fund	52
Section 8.5	[Deposits to Operating Reserve Fund	53
Section 8.6	Deposits to Project Revenue Account	53
Section 8.7	Security Interest in Accounts	53
Section 8.8	Reports.....	54
Section 8.9	No Liability of Trustee	54
Section 8.10	Investment of Funds in Accounts	54

ARTICLE IX

CONSTRUCTION AND FUNDING OF ADVANCES		55
Section 9.1	Construction of Project; Final Completion	55
Section 9.2	Making The Advances.....	55
Section 9.3	Advances to Contractors; to Others.....	55
Section 9.4	Requisition.....	56
Section 9.5	Project Costs.....	56
Section 9.6	Retainage	56
Section 9.7	Contingency Reserve.....	56
Section 9.8	Stored Materials	57
Section 9.9	Cost Overruns and Savings	57
Section 9.10	Right to Retain the Engineering Consultant.....	58
Section 9.11	Inspections.....	58
Section 9.12	Initial Advances.....	59
Section 9.13	Subsequent Advances.....	60
Section 9.14	Effect of Approval.....	62

ARTICLE X

MISCELLANEOUS	63
Section 10.1 Notices	63
Section 10.2 Successors and Assigns; Third Party Beneficiaries	63
Section 10.3 Survival of Covenants	63
Section 10.4 Counterparts	63
Section 10.5 Costs, Expenses and Taxes.....	63
Section 10.6 Severability; Interest Limitation.....	64
Section 10.7 Conflicts	64
Section 10.8 Complete Agreement.....	64
Section 10.9 Consent to Jurisdiction; Venue; Waiver of Jury Trial.....	65
Section 10.10 Governing Law.....	65
Section 10.11 Intentionally Omitted	65
Section 10.12 Headings.....	65
Section 10.13 Sale of Bonds and Secondary Market Transaction	65
Section 10.14 Nonrecourse; Recourse Exceptions.....	68
Section 10.15 Publicity.....	72
Section 10.16 Determinations by Bondholder Representative.....	72
Section 10.17 Electronic Signatures.....	73
 Exhibit A Form of Promissory Notes	A-1
Exhibit B Form of Written Requisition of the Borrower	B-1
Exhibit C Moisture Disclosure Statement	C-1
Schedule 1 Schedule of Litigation.....	S1-1
Schedule 2 Schedule of Obligations And Material Contracts	S2-1
Schedule 3 Schedule of Debt Service Payments	S3-1
Schedule 4 Development Budget	S4-1
Schedule 5 Plans and Specifications	S5-1
Schedule 6 Permits and Approvals.....	S6-1
Schedule 7 Conditions to Advances	S7-1
Schedule 8 Form of Completion Certificate.....	S8-1
Schedule 9 Form of Use of Proceeds Certificate.....	S9-1
Schedule 10 Form of Stabilization Certificate	S10-1
Schedule 11 Annual Expenses.....	S11-1
Schedule 12 Freddie Mac Radon Testing protocol	S12-1
Schedule 13 Initial Insurance Requirements	S13-1

LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended, modified or supplemented from time to time, this “Agreement”) made as of [_____ 1, 2023], by and between **CITY OF FRIDLEY, MINNESOTA**, a municipal corporation and political subdivision of the State of Minnesota (together with its successors and assigns, the “Issuer” or the “City”) and **ROERS FRIDLEY APARTMENTS OWNER II LLC**, a limited liability company duly organized and validly existing under the laws of the State of Minnesota (together with its permitted successors and assigns, the “Borrower”).

WITNESSETH:

WHEREAS, by virtue of the authority of the laws of the State of Minnesota, and particularly Minnesota Statutes, Chapters 462A, 462C, and 474A, as amended (collectively, the “Act”), the Issuer may issue its bonds and use the proceeds thereof for the purposes of financing the acquisition, construction, improving and equipping of a multifamily housing facility within the State; and

WHEREAS, the Issuer has determined that the public purposes set forth in the Act will be furthered by the issuance, sale and delivery of its (i) \$25,837,893 Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023A Bonds (the “Series 2023A Bonds”), (ii) \$11,740,000 Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023B (the “Series 2023B Bonds”), and (iii) \$6,126,000 Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023C (the “Series 2023C Bonds”) and, together with the Series 2023A Bonds and the Series 2023B Bonds, the “Bonds”), pursuant to an Indenture of Trust (as amended, modified or supplemented from time to time, the “Indenture”), dated as of [_____ 1, 2023], by and between the Issuer and U.S. Bank Trust Company, National Association, as trustee (together with any successor trustee under the Indenture and their respective successors and assigns, the “Trustee”), to make a loan or loans (the “Loan”) to the Borrower to provide funds to finance the costs of the acquisition, construction and equipping of the Project (as defined below), along with costs of issuance related to the Bonds; and

WHEREAS, the proceeds of the Bonds will be applied to (i) finance the acquisition and construction of an approximately 250,000-square-foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6257 University Avenue NE in the City. (the “Project”), and (ii) fund capitalized interest on the Bonds; and

WHEREAS, the Borrower has delivered those certain promissory notes of the Borrower related to the Bonds (the “Notes”) to the Issuer, evidencing the Borrower’s obligation to repay the Loan; and

WHEREAS, the Issuer will make the Loan to the Borrower, subject to the terms and conditions of this Agreement and the Indenture, including the terms and conditions hereof and

thereof governing the disbursement of advances and the investment earnings thereon, and the Notes will be endorsed, without recourse, by the Issuer to the Trustee; and

WHEREAS, the obligations of the Borrower under this Agreement and the Notes will be secured by the Security established under the Indenture.

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING AND THE UNDERTAKINGS HEREIN SET FORTH AND OTHER GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY AND RECEIPT OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND, THE BORROWER AND THE ISSUER HEREBY AGREE AS FOLLOWS:

[Rest of page intentionally left blank]

ARTICLE I DEFINITIONS

Section 1.1 Definitions.

In this Agreement (except as otherwise expressly provided for or unless the context otherwise requires), any capitalized terms used, but not defined herein, shall have the meanings ascribed to them in the Indenture.

Section 1.2 Rules of Construction; Time of Day.

In this Agreement, unless otherwise indicated, (i) defined terms may be used in the singular or the plural and the use of any gender includes all genders, (ii) the words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” refer to this entire Agreement, (iii) all references to particular Articles or Sections are references to the Articles or Sections of this Agreement, (iv) the terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants”, (v) the term “including” shall mean “including, but not limited to,” and (vi) the terms “best knowledge” or “knowledge” shall mean the actual knowledge of any Authorized Person of the Borrower after due inquiry. References to any time of the day in this Agreement shall refer to Eastern standard time or Eastern daylight saving time, as in effect in New York, New York on such day.

[End of Article I]

ARTICLE II LOAN AND PROVISIONS FOR REPAYMENT

Section 2.1 Basic Loan and Repayment Terms.

(a) The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds. The Loan shall be made by depositing the proceeds from the initial sale of the Bonds in accordance with Article IV of the Indenture. Such proceeds shall be disbursed to or on behalf of the Borrower as provided for in this Agreement and the Indenture. The Borrower's obligation to repay the Loan shall be evidenced by the Notes, the form of which is attached hereto as *Exhibit A*.

(b) The Borrower hereby agrees to pay the Notes and repay the Loan made pursuant to this Agreement by paying or causing to be paid to the Trustee in immediately available funds for the account of the Issuer ratable monthly payments for deposit into subaccounts of the Bond Fund or the Redemption Fund, as applicable, on the dates (each a "Loan Payment Date") and in the amounts set forth on *Schedule 3* hereto, and any other date that any payment of interest, premium, if any, or principal is required to be made in respect of the Bonds pursuant to the Indenture whether at maturity, upon acceleration or by sinking fund redemption or mandatory redemption, until 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, a sum which will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon mandatory redemption or acceleration or otherwise), premium, if any, and interest on the Bonds, as provided in the Indenture. Payments made on the Bonds shall constitute payments made by the Borrower on the Notes.

(c) It is understood and agreed that the Notes and all payments payable by the Borrower under this Section 2.1 are assigned by the Issuer to the Trustee for the benefit of the Bondholders. The Borrower consents to such assignment. The Issuer hereby directs the Borrower and the Borrower hereby agrees to pay to the Trustee, at the address specified in or in accordance with Section 10.1 hereof, all loan repayments payable to the Issuer pursuant to the Notes and this subsection.

(d) The Borrower shall have, and is hereby granted, the option to prepay the unpaid principal amount of the Loan, together with interest thereon to the date of redemption of the Bonds, but only pursuant to the provisions of Section 2.3(b) hereof and Section 2.12(a) of the Indenture with respect to voluntary prepayment of the Loan and optional redemption of the Bonds.

Section 2.2 Fees.

(a) On the date of execution and delivery of this Agreement, the Borrower shall pay, or cause to be paid to the Issuer, the Issuer Closing Fee as reflected on the closing settlement statement.

(b) *Reserved.*

(c) Beginning on the first Business Day of the month following the date the Bondholder Representative notifies the Borrower that it has engaged an Engineering Consultant pursuant to Section 9.10 herein, the Borrower shall pay (as directed by the Bondholder Representative) on the first Business Day of each month through Final Completion of the Work in respect of the Project, an amount equal to the costs of the Engineering Consultant incurred by the Bondholder Representative in the prior month (plus travel and reasonable and necessary expenses).

(d) The Borrower shall pay all reasonable fees and expenses of the Trustee.

(e) The Borrower shall pay the Issuer Fees and Expenses.

Section 2.3 Termination; Voluntary Prepayment and Redemption. [To be updated when terms of bonds provided]

(a) Notwithstanding anything to the contrary contained in this Agreement or the other Bond Documents, the Bondholder Representative's and each Holder's rights, interests and remedies hereunder and under the other Bond Documents shall not terminate or expire or be deemed to have been discharged or released until the earlier to occur of (i), with respect to the Series 2023B Bonds, the Mandatory Tender Date thereof pursuant to Section 2.15 of the Indenture, (ii) the payment in full of the Bonds, or (iii) defeasance of all of the Bonds. No such termination, expiration or release shall affect the survival of the indemnification provisions of this Agreement, which provisions shall survive any such termination, expiration or release and the resignation or removal of the Trustee.

(b) The Loan (and the Notes) may be prepaid by the Borrower, and the Bonds shall be optionally redeemed pursuant to Section 2.12(a) of the Indenture, on any Interest Payment Date on or after [OPTIONAL REDEMPTION DATE], upon the payment of the redemption price specified in Section 2.12(a) of the Indenture plus interest accrued thereon to, but not including, the date of redemption.

(c) Acceleration of the obligations of the Borrower hereunder upon an Event of Default prior to [OPTIONAL REDEMPTION DATE], shall constitute an evasion of the prepayment provisions of this Agreement and any tender of payment of an amount necessary to satisfy the entire indebtedness evidenced by this Agreement shall include an acceleration premium, equal to the amount of interest which would have accrued on the amount of Bonds scheduled to be Outstanding from the date of acceleration to, but not including, [OPTIONAL REDEMPTION DATE].

(d) The Borrower shall be required to prepay the Loan at the times and in the amounts necessary to provide funds for the payment of the mandatory redemption of the Bonds pursuant to Section 2.12(b) of the Indenture. In addition, on each Interest Payment Date, the Borrower shall pay to the Trustee for deposit into the Redemption Fund the amount set forth for such purpose on *Schedule 3* hereto, which amount shall be applied on

each Principal Payment Date to the mandatory sinking fund redemption of the Bonds pursuant to Section 2.12(c) of the Indenture.

(e) Notwithstanding the foregoing, the Borrower shall have the right at any time to defease the Bonds in accordance with the provisions of Article V of the Indenture, without premium.

Section 2.4 Obligations Absolute.

The obligations of the Borrower under this Agreement shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances: (i) any lack of validity or enforceability of the Bond Documents or any other agreement or document relating thereto; (ii) any amendment or waiver of or any consent to or departure from the Bond Documents or any document relating thereto; or (iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Issuer or the Trustee (or any persons or entities for whom the Trustee may be acting) or any other person or entity, whether in connection with this Agreement, the transactions described herein or any unrelated transaction. The Borrower understands and agrees that no payment by it under any other agreement (whether voluntary or otherwise) shall constitute a defense to its obligations hereunder, except to the extent that the Loan evidenced hereby has been indefeasibly paid in full, whether owing under this Agreement or under the other Bond Documents.

Section 2.5 Indemnification.

THE BORROWER (AND WITH RESPECT TO THE ISSUER, THE MANAGING MEMBER) INDEMNIFIES AND HOLDS HARMLESS THE ISSUER, THE TRUSTEE, THE MAJORITY OWNER, THE BONDHOLDER REPRESENTATIVE AND EACH OF THEIR RESPECTIVE AFFILIATES AND EACH OF THEIR AND THEIR AFFILIATES' RESPECTIVE MEMBERS, PARTNERS, DIRECTORS, OFFICERS, ATTORNEYS, EMPLOYEES, REPRESENTATIVES AND AGENTS (COLLECTIVELY, THE "INDEMNIFIED PARTIES"), EXCEPT AS LIMITED BELOW, FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, ACTIONS, COSTS, FINES, PENALTIES OR EXPENSES (INCLUDING ATTORNEYS' FEES FOR COUNSEL, LITIGATION AND COURT COSTS, AMOUNTS PAID IN SETTLEMENT (TO THE EXTENT THAT THE BORROWER HAS CONSENTED TO SUCH SETTLEMENT) AND AMOUNTS PAID TO DISCHARGE JUDGEMENTS OF EACH OF THE INDEMNIFIED PARTIES) WHATSOEVER WHICH THE INDEMNIFIED PARTIES MAY INCUR (OR WHICH MAY BE CLAIMED AGAINST ANY OF THE INDEMNIFIED PARTIES BY ANY PERSON OR ENTITY WHATSOEVER) BY REASON OF OR IN CONNECTION WITH:

(a) ANY BREACH OR ALLEGED BREACH BY THE BORROWER OF ANY REPRESENTATION, WARRANTY, COVENANT, TERM OR CONDITION IN, OR THE OCCURRENCE OF ANY DEFAULT BY THE BORROWER UNDER, THIS AGREEMENT OR THE OTHER BOND DOCUMENTS, INCLUDING ALL

REASONABLE FEES OR EXPENSES RESULTING FROM THE SETTLEMENT OR DEFENSE OF ANY CLAIMS OR LIABILITIES ARISING AS A RESULT OF ANY SUCH BREACH OR DEFAULT OR ANY DETERMINATION OF TAXABILITY;

(b) THE INVOLVEMENT OF ANY OF THE INDEMNIFIED PARTIES IN ANY LEGAL SUIT, INVESTIGATION, PROCEEDING, INQUIRY OR ACTION AS A CONSEQUENCE, DIRECT OR INDIRECT, OF THE BONDHOLDER REPRESENTATIVE'S ACTIONS TAKEN PURSUANT TO THIS AGREEMENT OR ANY OTHER EVENT OR TRANSACTION CONTEMPLATED BY ANY OF THE FOREGOING (EXCEPT AS RESULTS FROM GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR BREACH BY THE BONDHOLDER REPRESENTATIVE);

(c) THE ACCEPTANCE OR ADMINISTRATION OF THE BOND DOCUMENTS OR THE SECURITY INTERESTS THEREUNDER OR THE PERFORMANCE OF DUTIES UNDER THE BOND DOCUMENTS OR 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 OR THE USE THEREOF, INCLUDING WITHOUT LIMITATION ANY LEASE THEREOF OR ASSIGNMENT OF THE BORROWER'S INTEREST IN THIS AGREEMENT;

(d) ANY ACT OR OMISSION OF THE BORROWER OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES OR LICENSEES IN CONNECTION WITH THE ADVANCES OR THE PROJECT, THE OPERATION OF THE PROJECT, OR THE CONDITION, ENVIRONMENTAL OR OTHERWISE, OCCUPANCY, USE, POSSESSION, CONDUCT OR MANAGEMENT OF WORK DONE IN OR ABOUT, OR FROM THE PLANNING, DESIGN, ACQUISITION, RENOVATION OF OR CONSTRUCTION OF, THE IMPROVEMENTS OR ANY PART THEREOF;

(e) ANY LIEN (OTHER THAN A PERMITTED ENCUMBRANCE) OR CHARGE UPON PAYMENTS BY THE BORROWER TO THE ISSUER AND THE TRUSTEE HEREUNDER, OR ANY TAXES (INCLUDING, WITHOUT LIMITATION, ALL AD VALOREM TAXES AND SALES TAXES), ASSESSMENTS, IMPOSITIONS AND OTHER CHARGES IMPOSED ON THE ISSUER OR THE TRUSTEE IN RESPECT OF ANY PORTION OF THE PROJECT;

(f) ANY VIOLATION OF ANY ENVIRONMENTAL LAW, RULE OR REGULATION OR ANY INSPECTION, REVIEW OR TESTING WITH RESPECT TO, OR THE RELEASE OF ANY TOXIC SUBSTANCE FROM, THE PROJECT OR ANY PART THEREOF;

(g) THE ENFORCEMENT OF, OR ANY ACTION TAKEN BY THE ISSUER, RELATED TO REMEDIES UNDER, THIS AGREEMENT, THE INDENTURE AND THE OTHER BOND DOCUMENTS;

(h) ANY ACTION, SUIT, CLAIM, PROCEEDING, AUDIT, INQUIRY, EXAMINATION, OR INVESTIGATION OF A JUDICIAL, LEGISLATIVE, ADMINISTRATIVE OR REGULATORY NATURE CONCERNING OR RELATED TO INTEREST PAYABLE ON THE BONDS NOT BEING EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION OR EXEMPT FROM STATE INCOME TAXATION;

(i) ANY ACTION, SUIT, CLAIM OR DEMAND CONTESTING OR AFFECTING THE TITLE OF THE PROJECT;

(j) ANY UNTRUE STATEMENT OR MISLEADING STATEMENT OF A MATERIAL FACT BY THE BORROWER MADE IN THE COURSE OF THE BORROWER APPLYING FOR THE LOAN OR CONTAINED IN ANY OF THE BOND DOCUMENTS TO WHICH THE BORROWER IS A PARTY;

(k) ANY FAILURE BY THE BORROWER TO COMPLY WITH APPLICABLE FEDERAL AND STATE LAWS AND REGULATIONS PERTAINING TO THE MAKING OF THE LOAN;

(l) THE BORROWER'S USE OF THE PROCEEDS OF THE LOAN;

(m) THE INVESTIGATION OF, PREPARATION FOR OR DEFENSE OF ANY LITIGATION, PROCEEDING OR INVESTIGATION IN CONNECTION WITH THE PROJECT OR THE TRANSACTIONS TO BE CONSUMMATED IN CONNECTION THEREWITH OF ANY NATURE WHATSOEVER, COMMENCED OR THREATENED AGAINST THE BORROWER, THE PROJECT OR ANY INDEMNIFIED PARTY; AND

(n) ANY BROKERAGE COMMISSIONS OR FINDERS' FEES CLAIMED BY ANY BROKER OR OTHER PARTY IN CONNECTION WITH THE BONDS OR THE PROJECT.

THE INDEMNIFICATION SET FORTH IN THIS SECTION 2.5 SHALL INCLUDE THE REASONABLE COSTS AND EXPENSES OF AN INDEMNIFIED PARTY DEFENDING ITSELF OR INVESTIGATING ANY CLAIM OF LIABILITY AND OTHER REASONABLE EXPENSES AND ATTORNEYS' FEES INCURRED BY IT, PROVIDED THE BORROWER SHALL NOT BE REQUIRED TO INDEMNIFY AN INDEMNIFIED PARTY FOR ANY CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS OR EXPENSES TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR FRAUD OF THE ISSUER AND THE ISSUER INDEMNIFIED PARTIES OR THE WILLFUL MISCONDUCT OR NEGLIGENCE OF SUCH INDEMNIFIED PARTY OTHER THAN THE ISSUER AND THE ISSUER INDEMNIFIED PARTIES. THE OBLIGATIONS OF

THE BORROWER UNDER THIS SECTION SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT AND THE INDENTURE AND THE RESIGNATION OR REMOVAL OF THE TRUSTEE. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT OR THE INDENTURE TO THE CONTRARY, THE BORROWER AGREES (I) NOT TO ASSERT ANY CLAIM OR INSTITUTE ANY ACTION OR SUIT AGAINST THE TRUSTEE OR ITS EMPLOYEES ARISING FROM OR IN CONNECTION WITH ANY INVESTMENT OF FUNDS MADE BY THE TRUSTEE IN GOOD FAITH AS DIRECTED BY THE BORROWER OR THE BONDHOLDER REPRESENTATIVE, AND (II) TO INDEMNIFY AND HOLD THE TRUSTEE AND ITS EMPLOYEES HARMLESS AGAINST ANY LIABILITY, LOSSES, DAMAGES, COSTS, EXPENSES, CAUSES OF ACTION, SUITS, CLAIMS, DEMANDS AND JUDGMENTS OF ANY NATURE ARISING FROM OR IN CONNECTION WITH ANY SUCH INVESTMENT. NOTHING IN THIS SECTION IS INTENDED TO LIMIT THE BORROWER'S OBLIGATIONS CONTAINED IN SECTION 2.1 AND 2.2 HEREOF. AMOUNTS PAYABLE TO THE ISSUER HEREUNDER SHALL BE DUE AND PAYABLE FIVE (5) DAYS AFTER DEMAND AND WILL ACCRUE INTEREST AT THE DEFAULT RATE, COMMENCING WITH THE EXPIRATION OF THE FIVE (5) DAY PERIOD. WHEN THE ISSUER INCURS EXPENSES OR RENDERS SERVICE IN CONNECTION WITH ANY BANKRUPTCY OR INSOLVENCY PROCEEDING, SUCH EXPENSES (INCLUDING THE FEES AND EXPENSES OF ITS COUNSEL) AND THE COMPENSATION FOR SUCH SERVICES ARE INTENDED TO CONSTITUTE EXPENSES OF ADMINISTRATION UNDER ANY BANKRUPTCY LAW OR LAW RELATING TO CREDITORS' RIGHTS GENERALLY. THE OBLIGATIONS OF THE BORROWER TO THE ISSUER AND THE TRUSTEE UNDER THIS SECTION SHALL NOT BE SUBJECT TO THE RECOURSE LIMITATIONS OF SECTION 10.14 HEREOF.

THE INDEMNIFICATION PROVISIONS OF THIS SECTION 2.5 ARE EXPRESSLY INTENDED TO BE ENFORCEABLE REGARDLESS OF WHETHER THE BORROWER ALLEGES OR PROVES THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE (OR IN THE CASE OF THE ISSUER INDEMNIFIED PARTIES, GROSS NEGLIGENCE) OF THE INDEMNIFIED PARTIES.

Section 2.6 Amounts Remaining on Deposit Upon Payment of the Bonds.

After payment in full of the principal of, premium, if any, and interest on the Bonds (or defeasance of the Bonds) and upon payment of amounts payable to the United States pursuant to any rebate requirement and the payment of any other amounts owed hereunder or under the Indenture, all amounts on deposit with the Trustee pursuant to the Indenture, this Agreement or any other Bond Document shall be paid by the Trustee to the Borrower.

[End of Article II]

ARTICLE III SECURITY

Section 3.1 Mortgage and Other Security Documents.

To further secure the Borrower's obligations under this Agreement, the Borrower shall, at its sole expense, execute and deliver to the Trustee (and where required, duly record), (a) the Mortgage, Assignment of Rents, Security Agreement and Fixture Filing dated as of the date hereof, made by the Borrower to the Issuer and assigned by the Issuer to the Trustee as security for the Series 2023A Bonds and Series 2023B Bonds in connection with the Project (the "Mortgage"); (b) the Subordinate Mortgage, Assignment of Rents, Security Agreement and Fixture Filing dated as of the date hereof, made by the Borrower to the Issuer and assigned by the Issuer to the Trustee as security for the Series 2023C Bonds in connection with the Project (the "Subordinate TIF Mortgage"); (c) the Environmental Indemnity Agreement, dated as of the date hereof, by the Borrower and Guarantor in favor of the Trustee (the "Environmental Indemnity") pursuant to which the Borrower and the Guarantor shall indemnify and hold the Trustee harmless from environmental liabilities; (d) the Assignment of Management Agreement and the Consent to Assignment and Subordination of Management Fees, dated as of the date hereof, by the Borrower to and for the benefit of the Trustee, consented to by the Manager (the "Assignment of Management Agreement and Consent"); (e) the Replacement Reserve and Security Agreement, dated as of the date hereof between the Borrower and the Trustee (the "Replacement Reserve Agreement"); (f) the Assignment of Project Documents, dated as of the date hereof, made by the Borrower in favor of the Trustee (the "Assignment of Project Documents"); (g) the Guaranty of Recourse Obligations, dated as of the date hereof, made by the Guarantor in favor of the Trustee (the "Guaranty of Recourse Obligations"); (h) the Guaranty of Completion, dated as of the date hereof made by the Guarantor and the Borrower in favor of the Trustee (the "Guaranty of Completion"); (i) the Guaranty of Debt Service and Stabilization dated as of the date hereof made by the Guarantor in favor of the Trustee (the "Guaranty of Debt Service and Stabilization"); (j) **[additional TIF-related guaranty agreement(s) to be added, if any]**; (k) the Assignment of Capital Contributions, dated the date hereof, by the Borrower for the benefit of the Trustee (the "Assignment of Capital Contributions"); **[(l) a Limited Guaranty, Pledge of Partnership Interests and Security Agreement, dates as of the date hereof, by the General Partner, in favor of the Trustee (The "General Partner Pledge")]** (m) the Contract for Private Redevelopment, dated April 6, 2023 (the "Redevelopment Agreement"), between the Borrower and the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota; (n) the Pledge and Assignment of Tax Increment Financing Documents, dated [____], 2023 (the "TIF Assignment"), between the Borrower and the Trustee; (o) the Purchase Agreement; (p) the Remarketing Agreement dated [____], 2023 by and between the Borrower and **[Piper Sandler & Co.]**, as the remarketing agent; (p) the Land Use Restriction Agreement; (q) the Continuing Disclosure Agreement; (r) and (s) a Developer Limited Guaranty, Pledge and Security Agreement dated as of the date hereof from Roers Fridley Apartments Developer II LLC, as developer (the "Developer") in favor of the Trustee (the "Developer Fee Pledge").

Section 3.2 Financing Statements.

The Borrower shall file, or cause to be filed, on or before the Issue Date, such financing statements and continuation statements, and perform such other acts, under the Uniform Commercial Code of the State or other applicable Legal Requirements as are necessary or advisable to perfect and maintain perfection of the Issuer's and/or the Trustee's Security Interests under this Agreement, the Indenture, the Mortgage, the Subordinate TIF Mortgage and the other Bond Documents. The Trustee shall not be responsible for filing or for the sufficiency or accuracy of any financing statements initially filed to perfect security interests granted under this Agreement, the Indenture, the Mortgage, the Subordinate TIF Mortgage, and the other Bond Documents. The Borrower hereby authorizes the Trustee, without the signature of the Borrower, to file continuation statements. The Trustee shall file any continuation statements for which the Trustee has received the original filed UCC financing statement at closing. In addition, unless the Trustee shall have been notified in writing by the Borrower that any such initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in (a) relying on such initial filing and descriptions in filing any financing or continuation statements or modifications thereto pursuant to this section and (b) filing any continuation statements in the same filing offices as the initial filings were made. The Borrower shall be responsible for the customary fees charged by the Trustee for the preparation and filing of continuation statements and for the reasonable costs incurred by the Trustee in the preparation and filing of all continuation statements hereunder, including attorneys' fees and expenses. The Borrower will pay upon demand the costs and expenses incurred by the Trustee of filing the foregoing financing or continuation statements in such public offices as the Bondholder Representative may designate.

Section 3.3 Internal Revenue Service Examination.

The Borrower acknowledges that in the event of an examination or inquiry of the Series 2023A Bonds by the Internal Revenue Service (the "Service") to determine compliance of the Series 2023A Bonds with the provisions of the Code as they relate to tax-exempt obligations, the Issuer is likely to be treated as the "taxpayer" in such examination. The Borrower agrees, upon notification by the Issuer, that the Borrower (a) will respond to any inquiries from the Service in connection with such examination, and (b) upon request of the Issuer, will reimburse the Issuer for all expenses incurred by the Issuer in connection with such examination of the Series 2023A Bonds by the Service, or will directly pay the costs of any such examination. The Issuer covenants that it will promptly notify the Borrower of any inquiry or examination by the Service relating to the Series 2023A Bonds and will cooperate with the Borrower, at the Borrower's sole expense, in connection with any such inquiry or examination. The Borrower understands that the interests of the Issuer and the Borrower in any such examination may differ and agrees that in the event of such differing interests, the obligations of the Borrower herein are unaffected. The Borrower understands and agrees that the existence of the examination may be subject to public disclosure by the Issuer under the open records laws of the State and agrees to comply with and permit any necessary disclosures.

[End of Article III]

ARTICLE IV REPRESENTATIONS OF ISSUER

Section 4.1 Representations by the Issuer.

The Issuer represents and warrants to and for the benefit of the Borrower, the Trustee, the Bondholder Representative and the Holders from time to time of the Bonds as follows:

(a) The Issuer is a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota and is authorized by the Act to execute and to enter into this Agreement and to undertake the transactions contemplated herein and to carry out its obligations hereunder.

(b) The Issuer has all requisite power, authority and legal right to execute and deliver the Bond Documents to which it is a party and all other instruments and documents to be executed and delivered by the Issuer pursuant thereto, to perform and observe the provisions thereof and to carry out the transactions contemplated by the Bond Documents. All action on the part of the Issuer which is required for the execution, delivery, performance and observance by the Issuer of the Bond Documents has been duly authorized and effectively taken, and such execution, delivery, performance and observation by the Issuer do not contravene applicable law or any contractual restriction binding on or affecting the Issuer.

(c) The Issuer has duly approved the issuance of the Bonds and the loan of the proceeds thereof to the Borrower for the acquisition, construction, improvement and equipping of the Project; and all authorizations, approvals, or other action by any Governmental Authority which would constitute a condition precedent to the performance by the Issuer of the obligations under the Bond Documents to which the Issuer is a party have been obtained.

(d) To the best knowledge of the Issuer, there is no default of the Issuer in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been incurred which does or could affect the validity and enforceability of the Bond Documents or the ability of the Issuer to perform its obligations thereunder, and no event has occurred and is continuing under the provisions of any such instrument or agreement which constitutes or, with the lapse of time or the giving of notice, or both, would constitute such a default.

(e) There are no obligations of the Issuer other than the Bonds that have been, are being or will be (i) sold at substantially the same time, (ii) sold pursuant to the same plan of financing, and (iii) reasonably expected to be paid from substantially the same source of funds.

(f) There is no action, suit, proceeding, inquiry, or investigation at law or in equity or before or by any court, public board or body pending, or, to the knowledge of the

Issuer, threatened against or affecting the Issuer wherein an unfavorable decision, ruling or finding would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture or this Agreement or (ii) the excludability from gross income of interest on the Bonds for purposes of federal income taxation.

(g) In connection with the Issuer's actions with regards to the authorization, issuance and sale of the Bonds, to the knowledge of the Issuer, the Issuer has complied in all material respects with all provisions of the laws of the State, including the Act, provided that no representation is made as to compliance with any state securities or "blue sky" laws.

(h) The Issuer has not assigned or pledged and will not assign or pledge its interest in this Agreement except as contemplated by Section 6.25 herein. The Bonds constitute the only bonds or other obligations of the Issuer in any manner payable from the revenues to be derived from this Agreement, and except for the Bonds, no bonds or other obligations have been or will be issued on the basis of this Agreement.

(i) The Issuer is not in default under any of the provisions of the laws of the State, which default would affect the issuance, validity or enforceability of the Bonds or the transactions contemplated by this Agreement or the Indenture.

(j) The Issuer covenants and agrees that it will take or cause to be taken all required actions that is within its control to preserve the excludability from gross income for federal income tax purposes of interest on the Bonds.

(k) The Issuer used no broker in connection with the execution hereof and the transactions contemplated hereby.

(l) EXCEPT AS HEREIN PROVIDED, THE ISSUER MAKES NO OTHER REPRESENTATIONS, EITHER EXPRESSLY OR IMPLIEDLY, AS TO THE PROJECT OR THE FINANCING THEREOF. THE ISSUER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, THAT THE FUNDS APPLIED BY THE BORROWER WILL BE SUFFICIENT TO FINANCE THE ACQUISITION, CONSTRUCTION, IMPROVEMENT AND EQUIPPING OF THE PROJECT OR THAT THE PROJECT WILL BE ADEQUATE OR SUFFICIENT FOR THE BORROWER'S INTENDED PURPOSES. THE ISSUER MAKES NO WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY PORTION THEREOF INCLUDING, WITHOUT LIMITATION, THE HABITABILITY THEREOF, THE MERCHANTABILITY OR FITNESS THEREOF FOR ANY PARTICULAR PURPOSES; THE DESIGN OR CONDITION THEREOF; THE WORKMANSHIP, QUALITY OR CAPACITY THEREOF; LATENT DEFECTS THEREIN; THE VALUE THEREOF; FUTURE PERFORMANCE OR THE COMPLIANCE THEREOF WITH ANY LEGAL REQUIREMENTS.

Section 4.2 No Liability of Issuer; No Charge Against Issuer's Credit.

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES, INCOME AND RECEIPTS OF THE ISSUER PLEDGED TO THE PAYMENT THEREOF. THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION OR A LOAN OF CREDIT OF THE STATE OR ANY OTHER MUNICIPALITY, COUNTY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. THE BONDS DO NOT CREATE A MORAL OBLIGATION ON THE PART OF THE STATE OR ANY OTHER MUNICIPALITY, COUNTY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE AND EACH OF SUCH ENTITIES IS PROHIBITED BY THE ACT FROM MAKING ANY PAYMENTS WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER.

Section 4.3 Nonrecourse Obligation of the Issuer.

All obligations of the Issuer hereunder and under the other Bond Documents are special, limited obligations payable solely from funds made available to the Issuer hereunder or the other Bond Documents, and no recourse shall be had to the Issuer or to any employees, agents or members of the Issuer in satisfaction of any amounts due or liabilities incurred pursuant to the Issuer's issuance of the Bonds and related actions, inactions or transactions.

[End of Article IV]

ARTICLE V REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower represents and warrants to and for the benefit of the Issuer, the Trustee, the Bondholder Representative and the Holders from time to time of the Bonds as follows:

Section 5.1 Existence.

The Borrower is a limited liability company, duly organized, validly existing and in good standing under the Legal Requirements of the State. The Borrower has furnished to the Issuer, the Trustee, and the Bondholder Representative true and complete copies of its Operating Agreement and Articles of Organization, provided that the Trustee has no duty to review such documents. The Borrower owns and will own no other assets other than the Project. The Borrower has been, is and will be engaged solely in the business of acquisition, construction, equipping, financing, owning, leasing, managing and operating the Project and activities incident thereto. The Managing Member of the Borrower is Roers Fridley Apartments Managing Member II LLC, a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Minnesota . The Managing Member has furnished to the Issuer, the Trustee, and the Bondholder Representative true and complete copies of its Articles of Organization and operating agreement, provided that the Trustee has no duty to review such documents. The Managing Member has and will have no other assets other than its membership interests in the Borrower.

Section 5.2 Power, Authorization and No Conflicts.

The Borrower has all requisite power and authority and the legal right to own and operate its properties and to conduct its business and operations as they are currently being conducted and as proposed to be conducted by it. The execution, delivery and performance by the Borrower of this Agreement and the other Bond Documents to which the Borrower is a party (i) are within the Borrower's powers, (ii) have been duly authorized by all necessary company and legal action by or on behalf of the Borrower, and (iii) do not contravene the Operating Agreement, operating agreement, articles of organization of formation of the Borrower or the Managing Member, as applicable, or any Legal Requirement applicable to the Borrower or the Managing Member or any Material Contract or restriction binding on or affecting the Borrower, the Managing Member or any of their respective assets, or result in the creation of any mortgage, pledge, lien or encumbrance upon any of its assets other than as provided by the terms thereof.

Section 5.3 Governmental Authorizations and Other Approvals.

The Borrower and the Managing Member have all necessary Governmental Actions and qualifications, and have complied with all applicable Legal Requirements necessary to conduct their business as it is presently conducted and to own, operate and construct or renovate the Project in accordance with the provisions of the Bond Documents (except those ordinarily obtained upon completion of the Project facilities). Except as set forth on ***Schedule 6*** hereto, the Borrower has obtained all Governmental Actions from such Governmental Authorities which are a necessary precondition to construct, own and operate the Project (except those ordinarily obtained upon completion of the Project facilities) and all such Governmental Actions were duly issued and have

not been revoked, are in full force and effect and are not subject to any pending judicial or administrative proceedings, the period for judicial or administrative appeal or review having expired and no petition for administrative or judicial appeal or review having been filed. The Project (upon completion of construction and/or renovation of the Project as contemplated in the Plans and Specifications) will comply with all Governmental Actions and Legal Requirements, including all zoning restrictions (including without limitation, use density, setbacks, parking and other similar requirements) or the Borrower has a valid variance for or exemption from such requirements. All Governmental Actions obtained by the Borrower are listed and described on ***Schedule 6*** hereto and have been validly issued and have not been terminated or revoked, and are in full force and effect. With respect to any Governmental Actions not yet obtained, the steps listed on ***Schedule 6*** are all the steps needed to obtain such Governmental Actions and the Borrower knows of no reason that such Governmental Actions will not be timely obtained in the ordinary course of business and as needed in connection with the construction or operation of the Project. No such Governmental Action will terminate, or become void or voidable or terminable, upon any sale, transfer or other disposition of the Project including any transfer pursuant to foreclosure sale under the Mortgage.

Section 5.4 Validity and Binding Effect.

This Agreement and the other Bond Documents to which the Borrower is a party are the legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms, subject to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar Legal Requirement affecting creditors' rights generally.

Section 5.5 No Litigation.

Except as disclosed on ***Schedule 1*** attached hereto, there is no pending action or proceeding, including eminent domain proceedings, before any Governmental Authority or arbitrator against or involving the Borrower, the Managing Member or to the Borrower's knowledge after due inquiry, the Project and, to the best knowledge of the Borrower and the Managing Member, there is no threatened action or proceeding, including eminent domain proceedings, affecting the Borrower or the Managing Member before any Governmental Authority or arbitrator which, in any case, might materially and adversely affect (i) the business, operations, assets, condition (financial or otherwise) or prospects of the Borrower or the Managing Member, (ii) the validity or enforceability of this Agreement, the Bonds or the other Bond Documents, (iii) the construction, operation or ownership of the Project, or (iv) the excludability from gross income of interest on the Bonds for purposes of federal income taxation.

Section 5.6 No Violations.

The Borrower and the Managing Member are in compliance with, and not in breach of or default under (a) any applicable Governmental Actions or Legal Requirements with respect to the Project of any Governmental Authority having jurisdiction, or (b) the Bond Documents or any other credit agreement, indenture, mortgage, agreement or other instrument to which it is a party

or otherwise subject. No event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument. The Borrower is not in violation, nor is there any notice or other record of any violation of any Legal Requirements, restrictive covenants or other restrictions applicable to any of the Project. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower, if any prior to the Issue Date, have been timely filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. The Borrower enjoys, or will enjoy upon Final Completion, the peaceful and undisturbed possession of the Project.

Section 5.7 Compliance.

The ownership of the Project, the construction and/or renovation of the Project, and the use and operation of the Project as contemplated hereby do and shall, in all material respects, comply with, and are lawful and permitted uses under, the Tax Certificate and the Land Use Restriction Agreement, all applicable building, fire, safety, zoning, subdivision, sewer, Environmental Laws, health, insurance and other Legal Requirements and plan approval conditions of any Governmental Authority. The Borrower has obtained all Governmental Actions from such Governmental Authorities which are a necessary precondition to construct own and operate the Project and all such Governmental Actions were duly issued, are in full force and effect and are not subject to any pending judicial or administrative proceedings, the period for judicial or administrative appeal or review having expired and no petition for administrative or judicial appeal or review having been filed. The Project are located wholly within the boundaries of the Issuer's jurisdiction. The Project will satisfy all requirements of the Act and the Code with respect to multifamily rental housing and/or qualified residential rental facilities.

Section 5.8 Title to Properties; Liens and Encumbrances.

The Borrower has good and indefeasible title in fee simple to the Project, free and clear of all liens or encumbrances except for the Permitted Encumbrances. All such real property, fixtures and equipment necessary to the conduct of the business of the Borrower and the operation of the Project are and will be in reasonable working order and are suitable for the purposes for which they are and will be used. There exist no liens, encumbrances or other charges against the Project (including without limitation statutory and other liens of mechanics, workers, contractors, subcontractors, suppliers, taxing authorities and others), except Permitted Encumbrances.

Section 5.9 Utilities and Access.

All utility services necessary for the operation of the Project in the manner contemplated hereby, including water supply, storm and sanitary sewer facilities, gas, electricity and telephone facilities are available (or will be timely available) within the boundaries of the Project; and all roads necessary for the full utilization of the Project in the manner contemplated hereby either have been completed or rights-of-way therefor have been acquired by the appropriate

Governmental Authority or others or have been dedicated to public use and accepted by such Governmental Authority.

Section 5.10 Financial Information.

(a) All of the financial information furnished to the Bondholder Representative with respect to the Borrower, the Managing Member and, to the best of the Borrower's knowledge, the Guarantor, in connection with this Agreement (i) is complete and correct in all material respects as of the date hereof; and (ii) accurately presents the financial condition of such party as of the date hereof. None of the Borrower, the Managing Member or, to the best of the Borrower's knowledge, the Guarantor, has any material liability or contingent liability not disclosed to both the Bondholder Representative in writing; and

(b) Since its formation, each of the Borrower, the Managing Member and, to the best of the Borrower's knowledge, the Guarantor, has conducted its operations in the ordinary course, and no material adverse change has occurred in the business, operations, assets or financial condition of the Borrower, the Managing Member or, to the best of the Borrower's knowledge, the Guarantor.

Section 5.11 ERISA.

No employee pension plan maintained by the Borrower or the Managing Member or any ERISA Affiliate which is subject to Part 3 of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") has an accumulated funding deficiency (as defined in Section 302(a) of ERISA), no reportable event (as defined in Section 4043 of ERISA) has occurred with respect to any employee pension plan maintained for employees of the Borrower or any ERISA Affiliate and covered by Title IV of ERISA, no liability has been asserted against the Borrower, the Managing Member or any ERISA Affiliate by the Pension Benefit Guaranty Corporation ("PBGC") or by a trustee appointed pursuant to Section 4042(b) or (c) of ERISA, and no lien has been attached and no person has threatened to attach a lien to any of the Borrower's, the Managing Member's or any ERISA Affiliate's property as a result of failure to comply with ERISA or as a result of the termination of any employee pension plan covered by Title IV of ERISA. Each employee pension plan (as defined in Section 3(2) of ERISA) maintained for employees of the Borrower, the Managing Member or any ERISA Affiliate which is intended to be qualified under Section 401 (a) of the Code, including all amendments to such plan or to any trust agreement, group annuity or insurance contract or other governing instrument, is the subject of a favorable determination by the Internal Revenue Service with respect to its qualification under Section 401(a) of the Code. With respect to any multi-employer pension plan (as defined in Section 3(37) of ERISA) to which the Borrower, the Managing Member or any ERISA Affiliate is or has been required to contribute after September 25, 1980, (i) no withdrawal liability (within the meaning of Section 4201 of ERISA) has been incurred by the Borrower, the Managing Member or any ERISA Affiliate, (ii) no withdrawal liability has been asserted against the Borrower, the Managing Member or any ERISA Affiliate by a sponsor or an agent of a sponsor of any such multi-employer plan, (iii) no such multi-employer pension plan is in reorganization (as defined in Section 4241(a) of ERISA), and (iv) neither the Borrower, the Managing Member nor any ERISA Affiliate has any

unfulfilled obligation to contribute to any such multi-employer pension plan. As used in this Agreement, “ERISA Affiliate” means (i) any corporation included with the Borrower or the Managing Member in a controlled group of corporations within the meaning of Section 414(b) of the Code, (ii) any trade or business (whether or not incorporated or for-profit) which is under common control with the Borrower, or the Managing Member within the meaning of Section 414(c) of the Code, (iii) any member of an affiliated service group of which the Borrower, or the Managing Member is a member within the meaning of Section 414(m) of the Code, and (iv) any other entity treated as being under common control with the Borrower or the Managing Member under Section 414(o) of the Code.

Section 5.12 Environmental Representations.

Except as set forth on the Environmental Audit delivered to the Bondholder Representative (a) the Borrower has no knowledge of any activity at the Project, or any storage, treatment or disposal of any Hazardous Substances connected with any activity at the Project, which has been conducted, or is being conducted, in violation of any Environmental Law; (b) the Borrower has no knowledge of any of the following which could give rise to material liabilities, material costs for remediation or a material adverse change in the business, operations, assets, or condition (financial or otherwise) of the Borrower: (i) Contamination present at the Project, (ii) polychlorinated biphenyls present at the Project, (iii) asbestos or materials containing asbestos present at the Project, (iv) urea formaldehyde foam insulation present at the Project, or (v) lead-based paint at the Project; (c) no portion of the Project constitutes an Environmentally Sensitive Area; (d) the Borrower has no knowledge of any investigation of the Project for the presence of radon; (e) no tanks presently or formerly used for the storage of any liquid or gas above or below ground are present at any of the Project; (f) no condition, activity or conduct exists on or in connection with the Project which constitutes a violation of Environmental Laws; (g) no notice has been issued by any Governmental Authority to the Borrower or the Managing Member identifying the Borrower or the Managing Member as a potentially responsible party under any Environmental Laws; (h) there exists no investigation, action, proceeding or claim by any Governmental Authority or by any third party which could result in any liability, penalty, sanctions or judgment under any Environmental Laws with respect to the Project; and (i) the Borrower is not required to obtain any permit or approval from any Governmental Authority or need notify any Governmental Authority pursuant to any Environmental Law with regard to the construction and/or renovation of the Project.

Section 5.13 Outstanding Obligations and Material Contracts.

Attached hereto as ***Schedule 2*** is (i) a complete list of all Obligations of the Borrower and the Managing Member as of the date of execution and delivery hereof, together with a description of the instruments evidencing, governing or securing such Obligations (provided that no description need be provided of the Obligations hereunder) and (ii) a complete list of all other Material Contracts (provided that no description need be provided of the Material Contracts hereunder). There exists no default under any such instrument. Except for the Obligations listed on ***Schedule 2***, neither the Borrower nor the Managing Member has incurred any Obligations, secured or unsecured, direct or contingent. Each of the Borrower and the Managing Member has

complied with all provisions of such Material Contracts in all material respects, to the extent such contract is applicable to such party, and there exists no default or event which, with the giving of notice or the passage of time, or both, would constitute a default, under any such Material Contract.

Section 5.14 Solvency.

Each of the Borrower, the Guarantor and the Managing Member is and, after giving effect to this Agreement and all other agreements of the Borrower, the Guarantor and the Managing Member being entered into on the date of execution and delivery of this Agreement, will be solvent (which for this purpose shall mean that it is able to pay its current debts as they come due).

Section 5.15 Full Disclosure.

This Agreement, the exhibits hereto and the other documents, certificates, opinions, schedules and statements furnished to the Bondholder Representative by or on behalf of the Borrower, the Guarantor or the Managing Member in connection with the transactions contemplated hereby or by the Bond Documents, do not contain any untrue statement of a material fact with respect to the Borrower, the Guarantor or the Managing Member or the Project and do not omit to state a material fact with respect to the Borrower, the Guarantor or the Managing Member or the Project necessary in order to make the statements contained therein not misleading in light of the circumstances under which they were made. There is no fact known to the Borrower, the Guarantor or the Managing Member which materially adversely affects or in the future may adversely affect the business, operations, properties, assets or financial condition of the Borrower, the Guarantor or the Managing Member which has not been set forth in this Agreement or in the other documents, certificates, opinions, schedules and statements furnished to the Bondholder Representative on behalf of any such party before the date of execution and delivery of this Agreement in connection with the transactions contemplated hereby.

Section 5.16 Bond Documents.

The Borrower has provided the Bondholder Representative with true, correct and complete copies of: (i) all documents executed by the Borrower, the Guarantor or the Managing Member in connection with the Bonds, including all amendments thereto and compliance reports filed thereunder; (ii) all management and service contracts entered into by the Borrower in connection with the Project, including all amendments thereto; (iii) all material correspondence, if any, relating to the Bonds from the Trustee, the Issuer, the Securities and Exchange Commission, the Internal Revenue Service or any state or local securities regulatory body or taxing authority or any securities rating agency; and (iv) all documentation, if any, relating to governmental grants, subsidies or loans or any other loans, lines of credit or other subordinate financing relating to the Borrower or the Project, whether or not secured by the Project. Each of the representations and warranties on the Borrower's part made in the Bond Documents to which the Borrower is a party remain true and correct in all material respects and no Default exists under any covenants on the Borrower's part to perform under the Bond Documents to which the Borrower is a party.

Section 5.17 Illegal Activity.

No portion of any of the Project has been or will be acquired, constructed, fixtured, equipped or furnished with proceeds of any illegal activity conducted by the Borrower.

Section 5.18 Executive Order 13224.

Neither the Borrower, the Managing Member nor any Person holding any legal or beneficial interest whatsoever in any of those entities is included in, owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in Executive Order 13224 — Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended. It shall constitute an Event of Default hereunder if the foregoing representation and warranty shall ever become false.

Section 5.19 No Broker.

The Borrower has used no broker in connection with the execution hereof and the transactions contemplated hereby.

Section 5.20 Construction Contract; Architect's Agreement.

The Construction Contract, and the Architect's Agreement are each in full force and effect, and the parties thereto are in full compliance with their respective obligations thereunder. The Work to be performed by the Contractor under the Construction Contract is the Work called for by the Plans and Specifications, and all Work required to complete the Improvements in accordance with the Plans and Specifications is provided for under the Construction Contract.

Section 5.21 Development Budget.

The Development Budget attached hereto as *Schedule 4* accurately reflects, as of the date of execution and delivery of this Agreement, all anticipated costs of implementing and completing the Work within the Plans and Specifications.

Section 5.22 Plans and Specifications.

To the Borrower's knowledge, the Borrower has furnished the Bondholder Representative with true and complete sets of the Plans and Specifications. The Plans and Specifications so furnished to the Bondholder Representative comply with all Legal Requirements, all Governmental Actions, and all restrictions, covenants and easements affecting the Project, and have been approved by the Tax Credit Investor and such Governmental Authority as is required for construction and/or renovation of the Project.

Section 5.23 Survey.

The survey for the Project delivered to the Bondholder Representative does not fail to reflect any material matter of survey affecting the Project or the title thereto.

Section 5.24 Flood Plain.

No part of the Project is located in an area identified by the Federal Emergency Management Agency as an area having special flood hazard or to the extent any part of the Project is an area identified as an area having special flood hazard, flood insurance in an amount equal to 100% of the appraised insurable value of the Project has been obtained by the Borrower.

Section 5.25 Requisition.

Each Requisition submitted to the Bondholder Representative shall constitute an affirmation that the representations and warranties of the Borrower contained in this Agreement and in the other Bond Documents remain true and correct as of the date thereof unless otherwise noted in writing; and unless the Bondholder Representative are notified to the contrary, in writing, prior to the requested date of the advance under such Requisition, shall constitute an affirmation that the same remain true and correct on the date of such advance.

[End of Article V]

ARTICLE VI GENERAL COVENANTS

So long as any amount is due and owing hereunder, the Borrower covenants and agrees, except to the extent the Bondholder Representative shall otherwise consent in writing, to perform and comply with each of the following covenants:

Section 6.1 Conduct of Business; Maintenance of Existence; Mergers.

The Borrower and the Managing Member will each (i) engage solely in the business of financing, constructing, renovating, owning, leasing and operating the Project, and activities incident thereto, (ii) preserve and maintain in full force and effect its existence as a limited liability company under the Legal Requirements of the State, and its rights and privileges and its qualification to do business in the State, (iii) not dissolve or otherwise dispose of all or substantially all of its assets, (iv) not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, and (v) not amend any provision of its articles of organization or its Operating Agreement, as applicable, relating to its purpose, management or operation without the prior written consent of the Bondholder Representative. Notwithstanding the foregoing, the Borrower may amend the Operating Agreement in order to effectuate a Permitted Transfer.

Section 6.2 Compliance with Legal Requirements; Payment of Impositions.

The Borrower will comply with all Legal Requirements applicable to the Borrower or the Project. The Borrower will pay all Impositions and insurance premiums when due and will make the applicable deposits required by Section 8.2 of this Agreement for such purposes.

Section 6.3 Maintenance of Governmental Authorizations.

The Borrower shall timely obtain any Governmental Actions required for the construction and/or renovation of the Project not obtained prior to the Issue Date and shall provide copies thereof to the Bondholder Representative upon receipt. The Borrower will maintain in full force and effect all of its Governmental Actions and qualifications necessary for the conduct of its business as it is presently being conducted and the ownership, construction, renovation and operation of the Project as they are presently being operated and as contemplated by the terms of the Bond Documents. The Borrower will promptly furnish copies of all reports and correspondence relating to a loss or proposed revocation of any such qualification to the Bondholder Representative.

Section 6.4 Maintenance of Insurance.

(a) At all times throughout the term hereof the Borrower shall, at its sole cost and expense, maintain or cause to be maintained insurance against such risks and for such amounts as required by the Bondholder Representative for facilities of the type and size of the Project and shall pay, as the same become due and payable, all premiums with respect

thereto. The initial insurance requirements shall include, but not necessarily be limited to, the requirements set forth on ***Schedule 13*** hereto.

(b) All insurance required by this Section 6.4 shall be produced and maintained in financially sound and generally recognized responsible insurance companies selected by the entity required to procure the same and authorized to write such insurance in the State. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the procuring entity is engaged. All property and casualty insurance policies required by Section 6.4(a) hereof shall contain a standard non-contributory mortgagee clause showing the interest of the Trustee as first mortgagee and shall provide for payment to the Trustee of the net proceeds of insurance resulting from any claim for loss or damage thereunder. All policies of insurance required by Section 6.4(a) hereof shall provide for at least thirty (30) days' prior written notice of the restriction, cancellation or modification thereof to the Trustee, with a copy to the Bondholder Representative. The Trustee shall not be required to take any action upon receipt of such a notice, unless it receives written directions from the Bondholder Representative. The policy evidencing liability insurance required by Section 6.4(a) hereof shall name the Issuer, the Bondholder Representative, and the Trustee as additional named insureds. The Borrower acknowledges that a security interest in the policies of property and casualty insurance required by Section 6.4(a) and the net proceeds thereof is being granted to the Trustee pursuant to the Mortgage and/or Subordinate TIF Mortgage. Upon request of the Trustee, upon direction of the Bondholder Representative, the Borrower will assign and deliver (which assignment shall be deemed to be automatic and to have occurred upon the occurrence of an Event of Default hereunder) to the Trustee, the policies of property and casualty insurance required under Section 6.4(a), so and in such manner and form that the Trustee shall at all times, upon such request and until the payment in full of the Bonds, have and hold said policies and the net proceeds thereof as collateral and further security under the Mortgage and/or Subordinate TIF Mortgage for application as provided in the Mortgage. The policies under Section 6.4(a) hereof shall contain appropriate waivers of subrogation.

(c) Copies of the policy or certificate (or binder) of insurance required by Section 6.4(a) hereof shall be delivered to the Bondholder Representative, with a copy of the certificate to the Trustee upon request, on or before the Issue Date. The Borrower shall deliver to the Trustee before the first (1st) Business Day of each calendar year thereafter a certificate dated not earlier than the immediately preceding month reciting that there is in full force and effect insurance of the types and in the amounts required by this Section 6.4. The Trustee shall be entitled to solely rely on these certificates as to the Borrower's compliance with the insurance requirements set forth herein without further inquiry. Prior to the expiration of each such policy, the Borrower shall furnish the Bondholder Representative with evidence that such policy has been renewed or replaced or is no longer required by this Agreement. The Borrower shall provide such further information with respect to the insurance coverage required by this Agreement as the Bondholder Representative may, from time to time, reasonably require.

(d) The net proceeds of the property and casualty insurance carried pursuant to the provisions of Section 6.4(a) hereof shall be applied as provided in the Mortgage and the net proceeds of the liability insurance required by Section 6.4(a) hereof shall be applied, with the prior written consent of the Bondholder Representative, toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

Section 6.5 Compliance with Other Contracts and Bond Documents.

The Borrower will comply with all of its covenants and agreements under the Bond Documents to which it is a party, as the same may hereafter be amended or supplemented from time to time, and each of such covenants is incorporated herein by reference as if fully set forth herein. The Borrower acknowledges that the Indenture imposes certain obligations upon the Borrower and the Borrower agrees to discharge such obligations as if they were fully set forth herein (notwithstanding that the Borrower is not a party to the Indenture). The Borrower shall comply in all material respects with, or cause to be complied with, all requirements and conditions of all Material Contracts and insurance policies which relate to the Borrower or the Project.

Section 6.6 Maintenance of Project.

The Borrower will, at its sole expense and as one of the Expenses (including use of the funds on deposit in the Accounts, in accordance with the terms of the Indenture and the Replacement Reserve Agreement), (i) maintain and preserve the Project in good working order and repair, fit for the purposes for which they were originally erected; (ii) not permit, commit or suffer any waste or abandonment of the Project; (iii) not use (and use reasonable efforts to not permit tenants to use) the Project for any unlawful purpose and use reasonable efforts to not permit any nuisance to exist thereon; (iv) promptly make such repairs or replacements (structural or nonstructural, foreseen or unforeseen) as are required for the proper operation, repair and maintenance of the Project in an economical and efficient manner and consistent with customary and prudent practices, standards and procedures applicable to properties of like size and type; (v) perform all repairs or replacements in a good and workmanlike manner, and in compliance with all applicable Governmental Actions and Legal Requirements; (vi) keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas which may be owned by the Borrower in good and neat order and repair; (vii) not take (or fail to take) any action, which if taken (or not so taken) would increase in any way the risk of fire or other hazard occurring to or affecting the Project; and (viii) not sell, lease (other than pursuant to residential leases), cause a Sale of or otherwise dispose of any portion of the Project, except as otherwise permitted hereunder and under the other Bond Documents.

Section 6.7 Inspection Rights.

(a) The Borrower will, upon reasonable prior notice, at any reasonable time and from time to time, permit the Trustee, the Issuer, the Bondholder Representative and the agents or representatives of the Trustee, the Issuer, the Bondholder Representative to examine and copy and make abstracts from the records and books of account of, and visit the properties of, the Borrower, and to discuss the affairs, finances and accounts of the

Borrower with the Managing Member and the Accountant. Upon reasonable prior notice, and subject to the rights of tenants, the Borrower will permit the Engineering Consultant to inspect, or cause to be inspected, the Project at any reasonable time or times as the Bondholder Representative may direct. The Borrower shall pay or reimburse the Bondholder Representative on demand for reasonable fees and expenses incurred in connection with such inspections.

(b) If engaged pursuant to Section 9.10 herein, after the Engineering Consultant shall have inspected, or caused to have been inspected, the Project, the Engineering Consultant shall send written notice to the Bondholder Representative notifying the Bondholder Representative of the nature and extent of capital needs of the Project, if any, which are, in the Engineering Consultant's professional judgment, necessary to maintain and preserve the Project in accordance with the standards set forth in Section 6.6 hereof, and which are not addressed in the Annual Budget for the Project. The Bondholder Representative will provide a report to the Bondholders regarding the Engineering Consultant's notice. After considering the Engineering Consultant's recommendation, the Bondholder Representative shall approve the Engineering Consultant's notice and the Bondholder Representative shall notify the Borrower of the work which the Engineering Consultant recommends be performed in order to comply with the requirements of Section 6.6 hereof and the time period over which, in its professional judgment, such work should be commenced and completed.

(c) The Borrower shall promptly commence and diligently complete the work recommended by the Engineering Consultant within the time period set forth in the report. If the Borrower fails to complete the work within such time period, the Bondholder Representative may, at the Bondholder Representative's discretion, complete such work for and on the Borrower's behalf and may do any act or thing the Bondholder Representative deems necessary or appropriate to that end. The expenses incurred by the Bondholder Representative in completing such work shall bear interest at the Default Rate, shall be borne by the Borrower and shall be reimbursed to the Bondholder Representative immediately upon demand. All work performed by the Borrower shall be performed in a good and workmanlike manner and shall be completely free and clear of any mechanics or materialman's liens and encumbrances (or if such liens are filed, such liens shall be bonded and insured under the terms of the Title Policy) and shall be subject to the requirements of Section 6.6 hereof.

Section 6.8 Keeping of Books.

The Borrower will keep proper books of record and account, in which full and correct entries shall be made of financial transactions and the assets and operations of the Borrower in accordance with [GAAP], [income tax basis accounting principles?] and have a complete audit of such books of record and account made by the Accountant for each Fiscal Year.

Section 6.9 Reporting Requirements. [To be revised to conform to CDA]

The Borrower will furnish or cause to be furnished to the Bondholder Representative the following in form satisfactory to the Bondholder Representative and in such number of copies as the Bondholder Representative may reasonably require:

(a) As soon as available and in any event within forty-five (45) days after the close of each fiscal quarter of each Fiscal Year of the Borrower:

(i) unaudited financial statements for the Borrower and the Project, including a balance sheet and related statement of income as of the end of such fiscal quarter and for such fiscal quarter and the current Fiscal Year to the end of such fiscal quarter, which shall be internally prepared and presented on a consistent basis;

(ii) a certificate signed by an Authorized Person stating that, except as disclosed in such certificate, (A) during such fiscal quarter the Borrower has observed and performed all of its covenants and agreements set forth in this Agreement and the other Bond Documents (including the rules qualifying the interest payable on the Bonds for federal tax exemption pursuant to Section 142(d) of the Code and the regulations issued thereunder), except as disclosed in such certificate, (B) if the Project have received a tax credit allocation, during such fiscal quarter the Project have complied with the requirements of Section 42 of the Code and the regulations issued thereunder, and (C) no Event of Default has occurred or exists;

(b) As soon as available and in any event within one hundred twenty (120) days after the close of each Fiscal Year of the Borrower:

(i) audited financial statements for the Borrower, on a consolidated basis, including a balance sheet and related statements of income and changes in financial position as of the end of such Fiscal Year and for such Fiscal Year, which shall be prepared and reported on without qualification by the Accountant in accordance with [GAAP], and shall fairly present the financial condition of the Borrower and the Project as of the end of such Fiscal Year;

(ii) a certificate signed by an Authorized Person stating that (A) during such Fiscal Year the Borrower has observed and performed all of its covenants and agreements set forth in this Agreement and the other Bond Documents, except as disclosed in such certificate, and (B) no Default or Event of Default has occurred or exists, except as disclosed in such certificate; and

(iii) an occupancy report stating as of the last day of the month prior to the date of delivery thereof, with respect to each lease of all or any part of the Project, the tenant's name, the date thereof, the premises demised, the term, the rent, the security deposits, any advance rent payments in excess of one month and

any defaults by the tenant or the Borrower in respect thereof (including, without limitation, the amounts of arrearages);

(c) As soon as possible and in any event within twenty-five (25) days after the end of each calendar month, operating statements of the Project certified by an Authorized Person and containing itemized information regarding all items of expense and income as well as occupancy reports, a rent roll and, if required by the Bondholder Representative, other reports such as reports on concessions, security deposits and advance rents, all in such detail as may be required by the Bondholder Representative;

(d) From and after the Completion Date, monthly, an occupancy report for the Project;

(e) Upon receipt thereof by the Borrower, copies of any letter or report with respect to the management, operations or properties of the Borrower submitted to the Borrower by the Accountant in connection with any annual or interim audit of the Borrower's accounts, and a copy of any written response of the Borrower to any such letter or report;

(f) As soon as possible and in any event within five (5) business days after receipt of notice thereof, written notice of any pending or threatened litigation, investigation or other proceeding involving the Borrower, the Managing Member the Guarantor or the Project; (i) which could have a material adverse effect on the operations or financial condition of the Borrower, the Managing Member, the Guarantor or the Project; (ii) wherein the potential damages, in the reasonable judgment of the Borrower based upon the advice of counsel experienced in such matters, are not fully covered by the insurance policies maintained by the Borrower (except for the deductible amounts applicable to such policies); or (iii) which challenges the excludability from gross income of interest on the Bonds for purposes of federal income taxation;

(g) As soon as possible, notice of any material adverse change in the operations or financial condition of the Borrower, the Managing Member, the Guarantor or the Project;

(h) Following delivery thereof by the Borrower, copies of any reports, certifications, financial information, compliance documents, rebate information, audits and all other items submitted by or on behalf of the Borrower will be provided to the Trustee and the Issuer, but only if requested;

(i) Not later than the Completion Date, the certificate of completion and the use of proceeds certificate set forth as **Schedules 8** and **9** hereof;

(j) As and when required under the Land Use Restriction Agreement, the monthly compliance certificates, the annual copies of IRS Forms 8703 and other reports and notices required to be delivered under the Land Use Restriction Agreement;

(k) Upon receipt thereof by the Borrower, notice of the cancellation or expiration (without renewal or replacement) of any insurance required to be maintained by this Agreement;

(l) Not later than forty-five (45) days after the Stabilization Date, a stabilization certificate in the form set forth on *Schedule 10* hereto;

(m) As soon as possible and in any event within fifteen (15) days after the occurrence of an Event of Default, a statement of the Managing Member setting forth the details of such Event of Default and the action which the Borrower proposes to take with respect thereto;

(n) Contemporaneously with the delivery to the Trustee copies of any notices, reports or other information provided to the Trustee under the Bond Documents;

(o) Copies of IRS Forms 8609 as issued and received by the Borrower; and

(p) Such other information respecting the operations and properties, financial or otherwise, of the Borrower as the Bondholder Representative may from time to time reasonably request.

Section 6.10 Tax-Exempt Status.

(a) It is the intention of the parties hereto that interest on the Series 2023A Bonds shall be and remain excludable from gross income for federal income tax purposes, and, to that end, the covenants and agreements of the Borrower in this Section are for the benefit of the Issuer and the Trustee on behalf of and for each and every holder of the Series 2023A Bonds.

(b) The Borrower covenants and agrees that it will not use or permit the use of any of the funds provided by the Issuer hereunder or use or invest or permit the use or investment of any other funds of the Borrower directly or indirectly, or direct the Trustee to invest any funds held by it hereunder or under the Indenture or otherwise, in such manner as would cause any Series 2023A Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code, a “hedge bond” within the meaning of Section 149 of the Code, or “federally guaranteed” within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(c) The Borrower covenants and agrees that it will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations which, in the opinion of Bond Counsel, are applicable to the Borrower or to the Series 2023A Bonds.

(d) The Borrower covenants and agrees that at least 95% of the net proceeds of the Bonds (within the meaning of the Code) actually expended shall be used to pay qualified costs of the Project that are costs of a “qualified residential rental project” (within the meaning of Sections 142(a)(7) and 142(d) of the Code) and property that is

“functionally related and subordinate” thereto (within the meaning of Sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) of the Regulations).

(e) In the event that at any time the Borrower is in receipt of an Opinion of Bond Counsel to the effect that for purposes of this Section or the Indenture it is necessary to further restrict or limit the Yield on the investment of any money held by the Trustee under the Indenture beyond those situations and periods outlined in this Agreement or the Tax Certificate dated the Issue Date, the Borrower shall notify the Trustee in writing of the limitations which, in the opinion of Bond Counsel, apply to the investment of such funds and instruct the Trustee to comply with these limitations.

(f) As additional consideration for the purchase of the Bonds by the purchaser thereof and the loan of the money represented thereby, and in order to induce such purchase by measures designed to insure the excludability from gross income of the interest thereon for federal income tax purposes, the Borrower shall deliver to the Trustee, within 25 days after each Computation Date,

(i) a statement, signed by the Rebate Analyst stating the applicable portion of the Rebate Amount as of such Computation Date which must be paid over to the United States of America under section 148(f) of the Code taking into account all Gross Proceeds of the Bonds (“Rebate Report”), and

(ii) if required, an Internal Revenue Service Form 8038-T completed as of such Computation Date and such other Internal Revenue Service forms or other statements or forms required by the Code, Regulations, or other administrative rule, procedure, announcement, or guidelines.

(g) If the Borrower shall discover or be notified as of any date that any payment made to the United States Treasury pursuant to Section 4.5(c) of the Indenture shall have failed to satisfy any requirement of the Regulations (whether or not such failure shall be due to any default by the Borrower, the Issuer, or the Trustee), the Borrower shall (i) deliver to the Issuer and the Trustee a brief written explanation of such failure and any basis for concluding that such failure was innocent and (ii) pay to the Trustee (for deposit to the Rebate Fund) and cause the Trustee to pay to the United States Treasury from the Rebate Fund, within 60 days after such discovery or notice, the “correction amount” in respect thereof specified in Regulation Section 1.148-3(h) together with the explanation described in the immediately preceding clause (i) and the other documents required by Section 4.5(c) of the Indenture to accompany such payment from the Rebate Fund.

(h) The Borrower shall retain as part of the official transcript all of its accounting records relating to the funds held under the Indenture and the Rebate Fund and all calculations made in preparing the statements described in this Section for at least six years after the final payment of the Series 2023A Bonds, whether by reason of maturity or prior redemption.

(i) The Borrower shall not use or permit the use of any proceeds of Bonds or any funds of the Borrower, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions which would conflict with the covenants contained herein or in the Land Use Restriction Agreement. The Borrower acknowledges that such covenants are designed for the purpose of ensuring that the Bonds are treated as an obligation described in Section 103(a) of the Code.

(j) Notwithstanding any provisions of this Section, if the Borrower shall provide to the Trustee and the Issuer an Opinion of Bond Counsel that any specified action required under this Section and Section 4.5(c) of the Indenture is no longer required or that some further or different action is required to maintain the excludability from gross income for purposes of federal income taxation of interest on the Series 2023A Bonds, then the Trustee, the Issuer and the Borrower may conclusively rely on such opinion in complying with the requirements of this Section and Section 4.5(c) of the Indenture and be protected in so doing, and the covenants hereunder shall be deemed to be modified to that extent.

(k) The Borrower covenants and agrees that it has not taken or permitted to be taken and will not take or permit to be taken, any action which will cause the interest on the Series 2023A Bonds to become includable in gross income for purposes of federal income taxation pursuant to the provisions of Section 103(a) of the Code, provided that the Borrower shall not have violated these covenants if the interest on any of the Series 2023A Bonds issued in accordance with Section 103 of the Code becomes includable in gross income for purposes of federal income taxation to a person solely because such person is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code.

(l) The Borrower further agrees that it shall not discriminate on the basis of race, creed, color, sex or national origin in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation and management of the Project.

(m) The Borrower further covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions hereof and of the Land Use Restriction Agreement and that, in any event, the requirements of this Agreement and the Land Use Restriction Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith and therewith.

(n) The Borrower further covenants that it will not allow any proceeds of the Series 2023A Bonds to be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling or facilities the primary purpose of which is the sale of alcoholic beverages for consumption off premises.

Section 6.11 Single Purpose Entities.

(a) The Borrower and the Managing Member each shall (i) not engage in any business or activity, other than the ownership, leasing, construction, renovation, operation and maintenance of the Project and activities incidental thereto; and (ii) not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Project and such personal property as may be necessary for the operation of the Project and shall conduct and operate its business as presently conducted and operated.

(b) The Borrower and the Managing Member each shall (i) not maintain its assets in a way difficult to segregate and identify; (ii) ensure that business transactions between the Borrower and any Affiliate of the Borrower or any Affiliate of the Managing Member shall be entered into upon terms and conditions that are substantially similar to those that would be available on an arms-length basis with a third Person other than the Managing Member, or any respective Affiliate thereof; (iii) not incur or contract to incur any obligations, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than, in the case of the Borrower, the Obligations evidenced by this Agreement and the other Bond Documents; (iv) not make any loans or advances to any third Person (including any Affiliate of the Borrower or the Managing Member); (v) do or cause to be done all things necessary to preserve its existence; (vi) not amend, modify or otherwise change its respective operating agreement or, articles of organization without obtaining the prior written consent of the Bondholder Representative, not to be unreasonably withheld, conditioned or delayed (and which the Bondholder Representative will endeavor to accept or reject within ten (10) Business Days of request); provided that no consent shall be required for changes or amendments to the Operating Agreement to the extent such change or amendment is solely required to effect a Permitted Transfer; (vii) conduct and operate its business as presently conducted and operated; (viii) maintain its books and records and bank accounts separate from those of its Affiliates; (ix) be, and at all times shall hold itself out to the public as, a legal entity separate and distinct from any other Person (including any Affiliate); (x) file its own tax returns; (xi) maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations and in any event not less than that required under State law in order to remain a separate legal entity; (xii) not seek or consent to the dissolution or winding up, in whole or in part, of the Borrower or the Managing Member; (xiii) not (A) consent to the dissolution or liquidation in whole or in part of the Borrower, or (B) permit the Managing Member to dissolve, or (C) consent to the dissolution or liquidation of the Managing Member; (xiv) not commingle the funds and other assets of the Borrower with those of the Managing Member, any Affiliate thereof or any other Person; and (xv) not enter into any transaction with an Affiliate without the prior written consent of the Bondholder Representative (it being understood that the Construction Contract, the Management Agreement and the Development Agreement have been approved by the Bondholder Representative).

Section 6.12 Negative Pledge; No Sale.

(a) The Borrower will not create, incur, assume or permit to exist any mortgage, pledge, security interest, encumbrance or other Lien upon the Project or any property, tangible or intangible, now owned or hereafter acquired (including without limitation property leased to or being acquired by the Borrower under capital leases or installment sale agreements), by the Borrower (the sale with recourse of receivables or any “sale and lease back” of any fixed assets being deemed to be the giving of a lien thereon for money borrowed), other than Permitted Encumbrances.

(b) Other than Permitted Transfers and the making of residential leases, the Borrower shall not sell, assign, transfer, convey or otherwise dispose of the Project, or any part thereof, or permit or consent to a Sale without in each instance: (i) obtaining the express prior written consent of the Bondholder Representative, which consent may be withheld or granted (subject to the payment of such fees and the satisfaction of other conditions as set forth in Section 1.12 of the Mortgage) in the Bondholder Representative’s sole and absolute discretion; and (ii) complying with the applicable requirements of the Land Use Restriction Agreement.

Section 6.13 Payment of Indebtedness; Accounts Payable; Restrictions on Indebtedness.

(a) The Borrower will pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all of the Borrower’s Obligations under the Bond Documents and all of its other Obligations, whether now existing or hereafter arising, and comply with all covenants and agreements set forth in agreements evidencing Obligations of the Borrower.

(b) The Borrower shall pay or cause to be paid the Expenses, and capital expenditures and its other accounts payable with respect to and costs of operation and maintenance of the Project within thirty (30) days of receipt of an invoice therefor, or when the same shall otherwise be due and payable. The Borrower shall make no distribution of funds to its partners unless no uncured Event of Default exists, such distribution is in accordance with the provisions of the Operating Agreement, and all current accounts payable shall have been paid and funds shall have been set aside for the payment of accounts payable becoming due within thirty (30) days of said distribution. In addition, Borrower shall not make any payment to the Managing Member or to any managers, officers or directors thereof, prior to the required monthly payment of the Borrower’s Indebtedness under the Bond Documents, the funding of any required reserves under the Bond Documents and the payment of any of its other Obligations then due and payable.

(c) Without obtaining the prior written consent of the Bondholder Representative, the Borrower will not create, incur, assume, guarantee or be or remain liable for any Obligations other than (i) Indebtedness under the Bond Documents; (ii) current liabilities of the Borrower relating to the Project incurred in the ordinary course of

business but not incurred through the borrowing of money or obtaining of credit; and (iii) any soft, unsecured loans made by the partners of Borrower or their respective affiliates to pay development deficits and/or operating deficits pursuant to the terms of the Operating Agreement, as approved by the Bondholder Representative.

Section 6.14 Environmental Covenants.

(a) The Borrower will cause and certify that all activities at the Project during the term of this Agreement to be conducted in full compliance with all applicable Environmental Laws. The Borrower will obtain all Governmental Actions and will make all notifications, as required by Environmental Laws, and will, at all times, comply with the terms and conditions of any such Governmental Actions or notifications. During the term of this Agreement, if requested by the Bondholder Representative, the Borrower will provide to the Bondholder Representative copies of (i) applications or other materials submitted to any Governmental Authority in compliance with Environmental Laws, (ii) any notifications submitted to any Person pursuant to Environmental Laws, (iii) any Governmental Action granted pursuant to Environmental Laws, (iv) any record or manifest required to be maintained pursuant to Environmental Laws, and (v) any correspondence, notice of violation, summons, order, complaint or other document received by the Borrower, its lessees, sub-lessees or assigns, pertaining to compliance with any Environmental Laws.

(b) The Borrower will, at all times during the term of this Agreement, cause Hazardous Substances used at the Project to be handled, used, stored and disposed in accordance with all Environmental Laws and in a manner which will not cause an undue risk of Contamination.

(c) The Borrower will perform radon sampling at the Project in accordance with Freddie Mac's protocols attached hereto as ***Schedule 12*** and as required to achieve "Final Completion" to confirm that indoor radon levels are below the United States Environmental Protection Agency's ("EPA") recommended threshold of 4.0 picoCuries per liter (pCi/L). The results thereof shall be provided to the Bondholder Representative. If sampling reveals that radon levels are above 4.0 pCi/L, then the Borrower shall mitigate or take other acceptable actions to bring the levels below the EPA's recommended threshold. Such actions may include, but are not limited to, adjustments to ventilation systems or similar actions as required by a qualified radon mitigation consultant. The Borrower will cause all construction of new structures at the Project during the term of this Agreement to use design features which safeguard against or mitigate the accumulation of radon or radon products in concentrations exceeding the EPA's recommended threshold of 4.0pCi/L.

(d) The Borrower shall not install or permit to be installed any temporary or permanent tanks for storage of any liquid or gas above or below ground, except after obtaining written permission from the Bondholder Representative to do so and in compliance with Environmental Laws.

(e) The Borrower shall implement a moisture management and control program (the “Moisture Management Program”) for the Improvements at the Project to prevent the occurrence of mold, dangerous fungi, bacterial or microbial matter contamination or pathogenic organisms that reproduces through the release of spores or the splitting of cells (collectively, “Mold”), at, on or under the Project, which Moisture Management Program shall include, at a minimum: (i) periodic inspections of the Improvements at the Project for Mold, (ii) removing or cleaning up any Mold and in a manner consistent with best industry practices and utilizing an experienced remediation contractor acceptable to and approved by the Bondholder Representative, and (iii) in the event that the Mold identified at the Improvements at the Project cannot be removed or cleaned from any impacted building materials (e.g., porous materials such as carpeting, certain types of ceiling materials, etc.) and/or equipment, removing all such impacted building materials and/or equipment from the Project, all in accordance with the procedures set forth in the United States Environmental Protection Agency’s (“EPA”) guide entitled “Mold Remediation in Schools and Commercial Buildings”, EPA No. 402-K-01-001, dated March 2001 and in a manner consistent with best industry practices and utilizing an experienced remediation contractor acceptable to and approved by the Bondholder Representative. The Borrower shall include as part of every residential lease a Moisture Disclosure Statement in the form attached hereto as **Exhibit C**. The Borrower further covenants and agrees that, in connection with any mold remediation undertaken by or on behalf of the Borrower hereunder, the source (e.g., leaking pipe, water damage, water infiltration, etc.) of any Mold at the Improvements at the Project shall be promptly identified and corrected to prevent the occurrence or re-occurrence of any Mold.

(f) Upon the occurrence of an Event of Default, if the Bondholder Representative has reason to believe that there has occurred and is continuing a violation of Environmental Law or that there exists a condition that could give rise to any Governmental Action, the Bondholder Representative may, at its discretion, commission an investigation at the Borrower’s expense of (i) compliance at the Project with Environmental Laws, (ii) the presence of Hazardous Substances or Contamination at the Project, (iii) the presence at the Project of materials which are described in clause (b) of Section 5.12, (iv) the presence at the Project of Environmentally Sensitive Areas, (v) the presence at the Project of radon products, (vi) the presence at the Project of tanks of the type described in paragraph (e) of Section 5.12 or in paragraph (d) of Section 6.14 above, or (vii) the presence of Mold at the Project. In connection with any investigation pursuant to this paragraph, the Borrower, and its lessees, sub-lessees and assigns, will comply with any reasonable request for information made by the Bondholder Representative or their agents in connection with any such investigation. Any response to any such request for information will be full and complete. The Borrower will assist the Bondholder Representative and their agents to obtain any records pertaining to the Project or to the Borrower and the lessees, sub-lessees or assigns of the Borrower in connection with an investigation pursuant to this paragraph. The Borrower will permit the Bondholder Representative and their agents access to all areas of the Project at reasonable times and in reasonable manners in connection with any investigation pursuant to this paragraph. No investigation commissioned pursuant to this paragraph shall relieve the Borrower from any

responsibility for its representations and warranties under Section 5.12 hereof or under the Environmental Indemnity Agreement.

(g) In the event of any Contamination affecting the Project, whether or not the same originates or emanates from the Project or any contiguous real estate, or if the Borrower otherwise shall fail to comply with any of the requirements of Environmental Laws, the Bondholder Representative may, at its election, but without the obligation so to do, give such notices, cause such work to be performed at the Project and take any and all other actions as the Bondholder Representative shall deem necessary or advisable in order to remedy said Contamination or cure said failure of compliance and any amounts paid as a result thereof, together with interest thereon at the Default Rate from the date of payment by the Bondholder Representative, shall be immediately due and payable by the Borrower and until paid shall be added to and become a part of the Indebtedness and shall have the benefit of the lien hereby created as a part thereof prior to any right, title or interest in or claim upon the Project attaching or accruing subsequent to the lien of the Mortgage on the Project.

Section 6.15 Bondholder Representative.

The Borrower acknowledges and agrees that (i) the Majority Owner has the sole and exclusive right to arrange for servicing of the Notes and to appoint another person or entity to serve as its representative hereunder, under the other Bond Documents and under the Indenture; (ii) the Majority Owner has appointed **[BONDHOLDER REPRESENTATIVE]** to serve in the capacity of Bondholder Representative hereunder, under the other Bond Documents, and under the Indenture; and (iii) the Majority Owner retains the sole and exclusive right to appoint, remove or replace the Bondholder Representative, without the consent or approval of the Borrower. The Borrower shall comply with directions of the Bondholder Representative as set forth more particularly herein.

Section 6.16 Tax Returns.

The Managing Member will timely file all tax returns for itself and for the Borrower, pay or cause to be paid when due all taxes imposed on their operations, assets, income or properties, and, upon request, provide copies of such returns and receipts for payment of such taxes to the Bondholder Representative.

Section 6.17 Leases.

Except for leases to residential tenants in compliance with the Land Use Restriction Agreement and leases for services associated with residential rental properties (such as laundry and cable leases), the Borrower hereby represents that there are no leases or agreements to lease all or any part of the Project now in effect. Except for leases to residential tenants in compliance with the Land Use Restriction Agreement and leases for services associated with residential rental properties (such as laundry and cable leases), the Borrower shall not enter into or become liable under, any leases or agreements to lease all or any part of the Project without the prior written approval thereof and of the prospective tenant by the Bondholder Representative. Each lease of

residential units in the Project to a residential tenant shall be on a form of lease approved by the Bondholder Representative and shall be in compliance with the requirements of the Land Use Restriction Agreement.

Section 6.18 Further Assurances.

The Borrower will promptly and duly execute, acknowledge and deliver from time to time such further instruments and take such further actions as may be reasonably required by the Issuer, the Trustee or the Bondholder Representative to carry out the purposes and provisions of this Agreement and the other Bond Documents, to confirm the priority and/or perfection of any lien, pledge, assignment or security interest created or intended to be created by this Agreement and to assure the Bondholder Representative of the subrogation and security rights in favor of the Trustee for the benefit of the Holders of the Bonds contemplated by this Agreement, by the other Bond Documents and by the Indenture.

Section 6.19 Management Agreement.

The Borrower has entered into a property management agreement in a form approved by the Bondholder Representative with the Manager (together with any extension and replacements thereof and as the same may be amended, modified or supplemented from time to time the “Management Agreement”). Under the Management Agreement, the Manager shall provide certain management services and shall be entitled to receive as compensation for those services monthly an amount not in excess of the lesser of (i) 5% of the gross income received from the Project on account of rents, service fees, late charges and penalties and other charges received under leases and (ii) \$45 per dwelling unit in the Project (collectively, the “Management Fee”). Any amounts due the Manager in excess of the Management Fee shall be subordinated to the payment by the Borrower of all principal of and interest due on the Bonds, all Third Party Costs, all required deposits into the Accounts and all other amounts identified in the Assignment of the Management Agreement. The Borrower shall not replace the Manager for the Project without the Bondholder Representative’s prior written approval and, except for cause, the Management Agreement shall not be terminated or modified without the Bondholder Representative’s prior written approval, which in each case shall not be unreasonably withheld, conditioned or delayed. In the event the Manager resigns or is removed, the Borrower shall promptly seek a replacement Manager and submit such Manager and its proposed form of Management Agreement to the Bondholder Representative for approval; if the Borrower has not done so within thirty (30) days of becoming aware of such resignation or removal, the Bondholder Representative may (but shall not be required to) engage a new Manager on terms satisfactory to the Bondholder Representative in its sole discretion and at the expense of the Borrower. The sole and exclusive compensation (exclusive of reimbursement for expenses pursuant to the applicable Management Agreement) paid to manage the Project under the Management Agreement shall be as described in this Section 6.19. The Borrower shall have no employees whatsoever. The Manager shall execute a consent to the Assignment of the Management Agreement pursuant to which the Manager shall confirm the subordination provisions described above and agree that the Management Agreement shall be terminable by the Bondholder Representative, with or without cause, on thirty (30) days’ notice following and during the existence of an Event of Default. All approvals and actions of the

Bondholder Representative taken with respect to the Manager or the Management Agreement under this Section 6.19 shall be on behalf of the Majority Owner.

Section 6.20 Determination of Taxability.

Neither the Borrower nor the Managing Member nor any of their Affiliates shall admit in writing to the Issuer or the Trustee or to any Governmental Authority that interest on the Series 2023A Bonds has become includable in gross income for purposes of federal income taxation without first providing reasonable advance notice to the Issuer, the Bondholder Representative, permitting the Bondholder Representative, in its sole discretion, to contest such conclusion at the expense of the Borrower and the Managing Member. Promptly after the Borrower first becomes aware of any Determination of Taxability or an event that could trigger a Determination of Taxability, the Borrower shall give written notice thereof to the Issuer, the Trustee and the Bondholder Representative.

Section 6.21 Use of Series 2023A Proceeds.

The Borrower agrees that the proceeds of the Series 2023A Bonds will be allocated exclusively to pay Project Costs and that, for the greatest possible number of buildings, the Series 2023A Bonds proceeds will be allocated to the Project and the land on which the Project is located, so that the Project and the land on which it is located will have been financed fifty percent (50%) or more by the proceeds of the Series 2023A Bonds for the purpose of complying with Section 42(h)(4)(B) of the Code.

Section 6.22 Compliance With Anti-Terrorism Regulations.

Neither the Borrower, the Managing Member nor any Person holding any legal or beneficial interest whatsoever in the Borrower shall at any time while the Bonds are Outstanding be described in, covered by or specially designated pursuant to or be affiliated with any Person described in, covered by or specially designated pursuant to Executive Order 13224 — Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended, or any similar list issued by OFAC or any other department or agency of the United States of America. Notwithstanding the foregoing, the Borrower and the Managing Member hereby each confirm that if it becomes aware or receives any notice of any violation of the foregoing covenant and agreement (an “OFAC Violation”), the Borrower or the Managing Member, as applicable, will immediately (i) give notice to the Bondholder Representative of such OFAC Violation, and (ii) comply with all Legal Requirements applicable to such OFAC Violation, including, without limitation, Executive Order 13224; the International Emergency Economic Powers Act, 50 U.S.C. Sections 1701-06; the Iraqi Sanctions Act, Pub. L. 101-5 13, 104 Stat. 2047-55; the United Nations Participation Act, 22 U.S.C. Section 287c; the Antiterrorism and Effective Death Penalty Act, (enacting 8 U.S.C. Section 219, 18 U.S.C. Section 2332d, and 18 U.S.C. Section 2339b); the International Security and Development Cooperation Act, 22 U.S.C. Section 2349 aa-9; the Terrorism Sanctions Regulations, 31 C.F.R. Part 595; the Terrorism List Governments Sanctions Regulations, 31 C.F.R. Part 596; and the Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597 (collectively, the “Anti-Terrorism Regulations”), and

the Borrower and the Managing Member hereby authorize and consent to the Bondholder Representative's taking any and all reasonable steps the Bondholder Representative deems necessary, in its sole discretion, to comply with all Legal Requirements applicable to any such OFAC Violation, including the requirements of the Anti-Terrorism Regulations. Notwithstanding anything to the contrary in this Section, the Borrower shall not be deemed to be in violation of the covenants and agreements set forth in the first sentence of this Section if the Borrower timely complies with all requirements imposed by the foregoing sentence and all requirements of the Antiterrorism Regulations and all other applicable Legal Requirements relating to such OFAC Violation.

Section 6.23 Adoption of Capital and Operating Budgets.

(a) On or before December 1 of each Fiscal Year following Final Completion, the Borrower shall submit to the Bondholder Representative for approval a proposed capital and operating budget with respect to the Project to be effective for the next following Fiscal Year (the "Proposed Budget"). The Bondholder Representative shall have the right to approve or disapprove any Proposed Budget, which approval shall not be unreasonably withheld or delayed. Third party costs not within the Borrower's control and costs associated with remediation of emergency conditions shall be permitted variances to the Annual Budget. If any Proposed Budget is not disapproved by the Bondholder Representative within thirty (30) days following submission by the Borrower, such budget shall be deemed approved. If any budget is disapproved, the Borrower shall thereafter consult with the Bondholder Representative in an effort to achieve an acceptable Annual Budget for an additional thirty (30) days. To the extent the proposed operating budget is disapproved, the operating budget for the previous Fiscal Year shall remain in effect increased by five percent (5%) over the previous Fiscal Year (except for costs of utilities, Impositions and insurance and other third-party costs or cost associated with remediation of emergency conditions which shall be permitted variances to the Proposed Budget) until the parties resolve their differences. In addition to, and not in limitation of the foregoing, each Annual Budget may be revised from time to time with approval of the Bondholder Representative to reflect changes to Expenses and proposed Capital Expenditures set forth in the then-current Annual Budget.

(b) Without limiting the generality that each Proposed Budget must be approved by the Bondholder Representative, each Proposed Budget:

(i) shall be prepared on the basis of sound accounting practices consistently applied;

(ii) shall reflect all amounts projected to be deposited in the Replacement Reserve Fund and the projected revenues and Expenses of the Project;

(iii) shall reflect all projected Capital Expenditures which are reasonably expected to be made in connection with the Project during the Fiscal Year covered by such Proposed Budget; and

(iv) shall be in such form as is reasonably acceptable to the Bondholder Representative and containing such other information as reasonably may be requested by the Bondholder Representative.

Section 6.24 Borrower's Approval of Indenture.

The Borrower understands that the Issuer will, pursuant to the Indenture and as security for the payment of the principal of, premium, if any, and the interest on the Bonds, assign and pledge to the Trustee, and create a security interest in favor of the Trustee in certain of its rights, title and interest in and to this Agreement (including all payments hereunder) reserving, however, the Reserved Rights; and the Borrower hereby agrees and consents to such assignment and pledge. The Borrower acknowledges that it has received a copy of the Indenture for its examination and review. By its execution of this Agreement, the Borrower acknowledges that it has approved, has agreed to and is bound by the applicable provisions of the Indenture. The Borrower agrees that the Trustee shall be entitled to enforce and to benefit from the terms and conditions of this Agreement that relate to it notwithstanding the fact that it is not a signatory hereto.

Section 6.25 Conditions Precedent; Payment of Certain Fees, Deposits and Expenses.

On the date of execution and delivery hereof, (a) the Bondholder Representative and the Issuer, as applicable, shall have received, in immediately available funds, the amount equal to the fees set forth in Section 2.2 hereof, (b) the Bondholder Representative shall have received, in immediately available funds, the amount equal to the fees of the Engineering Consultant set forth in Section 2.2(c) hereof incurred as of the date of the execution and delivery hereof if due and owing, and (c) the Trustee shall have received the deposits required to be made in the Accounts on such date pursuant to Article 8 hereof.

Section 6.26 Additional Conditions Precedent.

The rights of the Borrower to draw the initial advance of funds from the Project Fund under this Agreement shall be subject to the conditions precedent set forth in Section 9.12 hereof and on Part A of *Schedule 7* hereof.

Section 6.27 Construction of Improvements.

The Borrower shall construct or renovate, or cause to be constructed or renovated, the Project in a true, thorough and workmanlike manner and substantially in accordance with the Plans and Specifications and in compliance with all applicable Governmental Actions and Legal Requirements. The Borrower shall provide, at the Borrower's expense all manner of materials, labor, implements and cartage of every description for the due completion of construction and/or renovation of the Project. The Borrower shall take all necessary steps to assure that commencement of construction and/or renovation of the Project shall begin within thirty (30) days following the Issue Date, shall proceed continuously and diligently and in a commercially reasonable manner, and shall be completed lien free in a timely manner substantially in accordance with the Plans and Specifications and in all instances in compliance with all applicable Governmental Actions and

Legal Requirements, on or before the Completion Date, subject to delays caused by a Force Majeure.

Section 6.28 Evidence of Payment of Costs.

If requested by the Bondholder Representative, the Borrower shall furnish, before each advance agreed to be made and on completion of construction or renovation, all receipted bills, certificates, affidavits, conditional releases of lien and other documents which may be reasonably required by the Bondholder Representative, as evidence of full payment for all labor and materials incident to the construction and/or renovation of the Project for each requested advance with copies of unconditional releases of lien from each prior draw and will promptly secure the release of the Project from all liens by payment thereof or transfer to bond or other security.

Section 6.29 Correction of Deficiencies in Improvements.

The Borrower agrees that it will correct any work performed and replace any materials that do not comply with the Plans and Specifications and any change orders in any material respect. In the event of any dispute between the Borrower and the Bondholder Representative with respect to the interpretation and meaning of the Plans and Specifications, the same shall be determined by an independent engineer selected by the Borrower from the list of engineers approved by the Bondholder Representative.

Section 6.30 Sufficiency of Loan Proceeds.

If, for any reason, the Bondholder Representative shall, in the reasonable exercise of the Bondholder Representative's judgment, determine that the combined total of (i) the remaining proceeds of the Loan, and (ii) any other sums on deposit by the Borrower with the Trustee and the capital contributions from Borrower's partners are insufficient to complete construction and/or renovation of the Project, the Bondholder Representative may require the Borrower to deposit with the Trustee for deposit into the Project Fund, within ten (10) days after written request by the Bondholder Representative, the projected deficiency with the Trustee, and such deposit shall be first disbursed in the same manner as the Loan is to be disbursed as provided herein before any further disbursements of the proceeds of the Loan shall be made.

Section 6.31 Use of Loan Proceeds.

All labor and materials contracted for and in connection with the construction and/or renovation of the Project shall be used and employed solely for the Improvements and in said construction and only in accordance with the Plans and Specifications. Moneys disbursed from Accounts held under the Indenture to or for the account of the Borrower shall constitute a trust fund in the hands of the Borrower or other payee and shall be used solely by such payee for the payment of the Qualified Project Costs and for no other purpose unless another use is specifically provided for in this Agreement or the Indenture, or consented to in writing by the Bondholder Representative. Nothing in this paragraph shall be deemed to impose a trust on the undisbursed portion of the Loan or any other amounts held under the Indenture or to impose any duty on the Bondholder Representative with respect thereto.

Section 6.32 Continuing Disclosure.

The Borrower hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement or the Indenture, the failure of the Borrower to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder or under the Indenture or a default with respect to the Bonds or the Bond Documents. The Borrower will provide to the Bondholder Representative and the Issuer copies of the annual financial statements of the Project and notices of material events provided pursuant to the Continuing Disclosure Agreement.

Section 6.33 Non-discrimination.

The Borrower shall not discriminate on the basis of race, creed, color, sex, age or national origin in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation or management for the Project.

Section 6.34 Drilling at Property.

The Borrower shall not consent to any drilling and/or mining operations on the Project property without the prior written consent of the Bondholder Representative.

Section 6.35 Payment and Performance Bonds.

The Borrower shall furnish to the Bondholder Representative and shall maintain in effect through Final Completion such Payment and Performance Bonds with respect to the Contractor, or if the Contractor does not obtain such Payment and Performance Bonds, such Payment and Performance Bonds shall be obtained with respect to each contractor that enters into a Major Contract; provided, however, that if Payment and Performance Bonds have been provided by any contractor under a Major Contract in accordance with the terms hereof, any subcontractor of such contractor shall not be required to post any Payment and Performance Bonds in respect of such subcontract. The Borrower shall take such action and require such performance as the Bondholder Representative deems necessary under the Payment and Performance Bonds. In the event that any payments under any Payment and Performance Bonds are issued jointly to the Borrower and Trustee or the Borrower and Bondholder Representative, Borrower shall endorse any such jointly issued payments to the order of the Trustee or Bondholder Representative, as determined by the Bondholder Representative in its discretion, promptly upon the Bondholder Representative's demand. Notwithstanding the foregoing, provided no Default or Event of Default exists, the Borrower may request that the Bondholder Representative consent in writing to the release of the Payment and Performance Bonds following the achievement of Final Completion.

Section 6.36 Stabilization Shortfall. [To be updated when terms of Series C Bonds provided.]

(a) Borrower shall achieve Stabilization as of the Stabilization Date. If the ratio of Stabilized NOI for the three (3) consecutive months ending two months prior to the Stabilization Date to the maximum principal and interest payable in any three (3) consecutive months on the

amount of Series 2023A Bonds Outstanding exceeds **[1:15]** to 1:00 as determined by the Servicer, and the other conditions to Stabilization have been met or will, in the judgement of the Servicer be met on or before the Stabilization Date, the Borrower may request the Remarketing Agent to remarket a portion of the Series 2023B Bonds such that the ratio of Stabilized NOI for the three (3) consecutive months ending two months prior to the Stabilization Date to the maximum principal and interest payable in any three (3) consecutive months on the amount of Series 2023A Bonds Outstanding plus the amount of Series 2023B Bonds to be remarketed equals or exceeds **[1:15]** to 1:00.

If Borrower shall not have achieved Stabilization as of the Stabilization Date, Borrower shall, no fewer than five (5) days before the Stabilization Date, direct the Trustee in writing to redeem the Series 2023B Bonds in whole from amounts on deposit in the Equity Fund and deposit with the Trustee an amount sufficient to redeem the **[Series 2023A]** Bonds in part in an amount equal to the amount necessary to cause the Project to meet the requirements of clause (ii) of the definition of Stabilization.

[End of Article VI]

ARTICLE VII DEFAULTS AND REMEDIES

Section 7.1 Defaults.

Each of the following shall constitute an event of default hereunder (“Event of Default”):

(a) Failure by the Borrower to pay any amount required to be paid by the Borrower under this Agreement, the Notes or any of the other Bond Documents when the same shall become due and payable;

(b) Failure by the Borrower to perform or comply with any of the terms or conditions contained in Section 6.1, 6.11 or 6.12 hereof;

(c) Other than as described in any other subsection of this Section 7.1, failure by the Borrower to perform or comply with any of the terms or conditions contained in this Agreement, the Indenture and any of the other Bond Documents to which the Borrower is a party and continuation of such failure for thirty (30) days after written notice from the Trustee, or the Bondholder Representative to the Borrower, or such longer period to which the Bondholder Representative may agree in the case of a default not curable by the exercise of due diligence within such thirty (30) day period, if the Borrower, the Managing Member or the Tax Credit Investor shall have commenced a cure of such default within such thirty (30) day period and shall be diligently pursuing such cure as quickly as reasonably possible;

(d) Any of the representations or warranties of the Borrower set forth in this Agreement, any of the other Bond Documents or any other document furnished to the Issuer, the Trustee, the or the Bondholder Representative pursuant to the terms hereof proves to have been false or misleading in any material respect when made;

(e) Any provision of this Agreement or any of the other Bond Documents to which the Borrower, the Managing Member or any Guarantor is a party for any reason ceases to be valid and binding on the Borrower, the Managing Member or any Guarantor, or is declared to be null and void, or is violative of any applicable Legal Requirement relating to a maximum amount of interest permitted to be contracted for, charged or received, or the validity or enforceability thereof is contested by the Borrower, the Managing Member or any Guarantor or any Governmental Authority, or the Borrower, the Managing Member or any Guarantor denies that it has any or further liability or obligation under this Agreement or any of the Bond Documents to which the Borrower, the Managing Member or any Guarantor is a party;

(f) The occurrence of an Event of Default as defined in the Indenture, the other Bond Documents, or an act or event (or failure to act or non-occurrence of an act) which, with the passage of time, the giving of notice or both, would constitute an Event of Default under the Indenture or the other Bond Documents;

(g) The Borrower, any Guarantor or the Managing Member (i) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian or the like of the Borrower, any Guarantor or the Managing Member, as applicable, or of property of any such party or (ii) admits in writing the inability of the Borrower, any Guarantor or the Managing Member to pay its debts generally as they become due, or (iii) makes a general assignment for the benefit of creditors, (iv) is adjudicated bankrupt or insolvent, (v) commences a voluntary case under the Bankruptcy Code or files a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or files an answer admitting the material allegations of a petition filed against the Borrower, any Guarantor or the Managing Member in any bankruptcy, reorganization or insolvency proceeding, or action of the Borrower, any Guarantor or the Managing Member is taken for the purpose of effecting any of the foregoing, or (vi) has instituted against it, without the application, approval or consent of the Borrower, any Guarantor or the Managing Member, as applicable, a proceeding in any court of competent jurisdiction, under any Legal Requirements relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the Borrower, any Guarantor or the Managing Member an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up or liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the Borrower, any Guarantor or the Managing Member or of all or any substantial part of the assets of such party or other like relief in respect thereof under any Legal Requirements relating to bankruptcy or insolvency law, and, if such proceeding is being contested by the Borrower, such Guarantor or the Managing Member, as applicable, in good faith, the same (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed and undischarged for a period of ninety (90) days;

(h) The Borrower fails to maintain in full force and effect any insurance required pursuant to this Agreement;

(i) The Project suffers a loss by fire or other casualty and such loss is not fully insured and any deficiency in the amount of insurance proceeds paid with respect to such loss is not posted with the Trustee within thirty (30) days of the determination of such deficiency;

(j) The Project fails to achieve (i) Final Completion on or before the Completion Date (as may be extended), or (ii) Stabilization on or before the Stabilization Date (as may be extended);

(k) Any litigation or administrative proceeding ensues, and is not dismissed within thirty (30) days, involving the Borrower, the Managing Member, any Guarantor or any instrument, contract or document delivered by the Borrower to the Bondholder Representative, and the Trustee in compliance with this Agreement, and the adverse result of such litigation or proceeding would have, in the Bondholder Representative's reasonable opinion, a materially adverse effect on the Borrower's or the Managing Member's ability

to pay its obligations and comply with the covenants under this Agreement or any of the other Bond Documents;

(l) Failure by the Borrower to cause a redemption of the Bonds as required in accordance with Section 2.12(b)(iii) or Section 2.12(c) of the Indenture;

(m) Any one or more judgments or orders are entered against the Borrower or the Managing Member, and (i) continue unsatisfied and unstayed for thirty (30) days or (ii) a judgment lien on any property of the Borrower is recorded in respect thereof and is not stayed pending appeal by a bond or other arrangement given or obtained by the Borrower or the Managing Member on terms which do not violate any of the Borrower's covenants under this Agreement; and

(n) Failure by the Borrower (i) to make any payment or payments in respect of any Obligation or Indebtedness (unless a bona fide dispute exists as to whether such payment is due), when such payment or payments are due and payable (after the lapse of any applicable grace period), (ii) to perform any other obligation or covenant under any such obligation or obligations, or (iii) to pay or perform any obligation or covenant under any Material Contract, any of which (A) results in the acceleration of such Obligation or Indebtedness or enables the holder or holders of such Obligation or Indebtedness or any person acting on behalf of such holder or holders to accelerate the maturity of such obligation or (B) would have, in the Bondholder Representative's reasonable opinion, a materially adverse effect on the Borrower's ability to pay its obligations and comply with the covenants under this Agreement or any of the other Bond Documents;

(o) Construction or renovation of the Improvements shall have been discontinued for thirty (30) consecutive working days for any reason whatsoever, except (i) for Force Majeure, and (ii) any other such reason as the Bondholder Representative shall deem reasonable;

(p) If at any time the Borrower shall have been unable for a period of forty-five (45) days to meet the requirements for an Advance under this Agreement, regardless of whether the Borrower has requested an Advance that has not been funded;

(q) The Contractor shall have defaulted under the Construction Contract, which default the Bondholder Representative, in its sole reasonable discretion, shall deem to be substantial, and the Borrower, upon ten (10) business days written notice from the Bondholder Representative, shall have failed to exercise any right or remedy to which it shall be entitled; and

(r) The Improvements have not been completed substantially in accordance with the Plans and Specifications by the Completion Date, as extended pursuant to the provisions herein.

Notwithstanding the foregoing, if any Event of Default described in paragraphs (g), (k) or (m) of Section 7.1 is caused solely by the action of a Guarantor, then so long as no other Default

or Event of Default exists under the Bond Documents, the Bondholder Representative shall not direct the Trustee to declare an Event of Default or pursue remedies hereunder for a period of an additional thirty (30) days, during which period the Borrower or the Tax Credit Investor shall have the option to cure such Event of Default to the satisfaction of the Bondholder Representative, or to provide a replacement guarantor, which replacement guarantor shall be acceptable to the Bondholder Representative in its sole reasonable discretion.

Section 7.2 Remedies.

If an Event of Default has occurred and is continuing uncured, the Trustee, subject to the provisions of the Indenture, shall:

(a) Acting solely at the written direction of the Bondholder Representative, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable; and

(b) Acting solely at the written direction of the Bondholder Representative, declare the Borrower's obligations hereunder, under the Notes and under the other Bond Documents to be, whereupon the same shall become, immediately due and payable, provided, no such declaration shall be required, and, except as provided in the last paragraph of Section 7.1 hereof, acceleration shall be automatic, upon occurrence of an event set forth in Section 7.1(g) hereof; and

(c) Acting solely at the written direction of the Bondholder Representative, enter upon the Project and take possession thereof, together with the Improvements in the course of construction or completed, and all of the Borrower's materials, supplies, tools, equipment and construction facilities and appliances located thereon, and proceed either in the name of the Trustee or in the name of the Borrower as the attorney-in-fact of the Borrower (which authority is coupled with an interest and is irrevocable by the Borrower) as the Bondholder Representative shall elect, to complete the construction or renovation of the Improvements at the cost and expense of the Borrower; if the Bondholder Representative elects to complete or cause the construction or renovation of the Improvements to be so completed, it may do so according to the terms of the Plans and Specifications and the Bondholder Representative shall deem expedient or necessary, and the Trustee may enforce or cancel all contracts entered into as aforesaid or make other contracts which in the Bondholder Representative's reasonable opinion may seem advisable, and the Borrower shall be liable, under this Agreement or under the Notes or any other Notes given by it pursuant to the provisions hereof, to pay the Bondholder Representative or the Trustee upon demand any amount or amounts expended by the Bondholder Representative or the Trustee or their respective representatives for such performance, together with any costs, charges or expenses incident thereto or otherwise incurred or expended by the Bondholder Representative or the Trustee or their respective representatives on behalf of the Borrower in connection with the Improvements, and the amounts so expended shall bear interest at the default rate specified in the Notes, and shall

be considered part of the indebtedness evidenced by the Notes and secured by the Mortgage; and

(d) In the event the Contractor shall have defaulted as aforesaid or an Event of Default with respect to the Construction Contract shall have occurred, and the Contractor has no surety, the Bondholder Representative shall proceed to negotiate or invite bidding to procure, within an additional thirty (30) days, a successor Contractor to complete the Improvements under a performance bond and labor and material payment bond approved by the Bondholder Representative in the full amount of the new contract price; if the Contractor has a surety, but the surety refuses or fails to commence completion of the Improvements within thirty (30) days after notice from the Borrower to do so, the Bondholder Representative shall proceed, within ten (10) days, to negotiate or invite bidding as herein provided or to take action against the surety; and

(e) Acting solely at the written direction of the Bondholder Representative, (i) enter upon or take possession of the Project and call upon or employ suppliers, agents, managers, maintenance personnel, security guards, architects, engineers and inspectors to complete, manage or operate the Project or to protect the Project from injury; (ii) pay out additional sums (which sums shall be immediately due and payable by the Borrower to the Trustee) and use any property of the Borrower associated with the Project, or any property of the Borrower in which the Trustee has or obtains an interest for application to or as a reserve for payment of any or all of the following with respect to the protection, management, operation or maintenance of the Project or the protection of the Trustee's interest therein, and in such connection deliver or disburse the same to such entities in such amounts and with such preferences and priorities as the Bondholder Representative in its sole discretion shall determine, either with or without vouchers or orders executed by the Borrower: (A) all sums due from the Borrower to the Trustee; (B) premiums and costs of title and any other insurance; (C) leasing fees and brokerage or sales commissions; (D) fees, costs and expenses of the Trustee and its counsel in connection with the enforcement and performance of this Agreement, the other Bond Documents and the other documents contemplated hereby; (E) any taxes (including federal, state and local taxes) or other governmental charges; (F) any sums required to indemnify and hold the Trustee harmless from any act or omission of the Trustee (except such as are grossly negligent or due to its willful misconduct) under Section 2.5 hereof, the other Bond Documents or any other document; (G) architectural and engineering costs or any sums due to contractors, subcontractors, mechanics or materialmen for work or services actually furnished on or for the Project; (H) claims of any Governmental Authority for any required withholding of taxes on wages payable or paid by the Borrower; and (I) other costs and expenses which are required to complete, manage or operate the Project or to protect the Project from injury or maintain the Trustee's security position before the rights of all others; (iii) place additional encumbrances upon the Project; and (iv) employ leasing and sales agents and negotiate and execute leases, sales contracts and financing undertakings in connection with all or any part of the Project; and

(f) Acting solely at the written direction of the Bondholder Representative, subject to all Legal Requirements, require the Borrower to transfer all security deposits to the Trustee; and

(g) Acting solely at the written direction of the Bondholder Representative, exercise, or cause to be exercised, any and all such remedies as it may have under this Agreement, the other Bond Documents or at law or in equity.

The Trustee shall not take any action upon the occurrence of an Event of Default hereunder or under any other Bond Documents to which it is a party unless such action is at the written direction of the Bondholder Representative.

Before taking any action required hereunder which may require the Trustee to incur costs, expend its own funds or expose it to risk, the Trustee may require security or indemnification satisfactory to it for the reimbursement of all costs, expenses or liabilities it incurs in connection with such action.

Section 7.3 No Waivers; Consents.

No waiver of, or consent with respect to, any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the Trustee at the written direction of the Bondholder Representative (or by the Issuer if the same relates to Reserved Rights), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

Section 7.4 No Waiver; Remedies Cumulative.

No failure on the part of the Issuer, the Trustee, the Bondholder Representative or any Bondholder to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; and no single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies available under any other document or at law or in equity.

Section 7.5 Set-Off.

Upon the occurrence and during the continuation of an Event of Default hereunder (provided that the Trustee and the Bondholder Representative shall have no obligation to accept a cure of any Event of Default), the Trustee is hereby authorized at any time and from time to time without notice to the Borrower or the Managing Member (any such notice being expressly waived by the Borrower and the Managing Member) and, to the fullest extent permitted by applicable Legal Requirements, to set off and to apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or moneys at any time held (including any amounts in the Accounts except for the Rebate Fund and the Tax and Insurance Escrow Fund) and other indebtedness at any time owing by the Issuer to or for the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, the Bond Documents or any other agreement or instrument delivered by the Borrower to the Issuer in

connection therewith, whether or not the Issuer shall have made any demand hereunder or thereunder and although such obligations may be contingent or unmatured. The rights of the Trustee under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Trustee may have.

Section 7.6 Issuer and Borrower to Give Notice of Default.

The Issuer and the Borrower severally covenant that they will, at the expense of the Borrower, promptly give to the Trustee, the Bondholder Representative and the Tax Credit Investor, and to each other written notice of the occurrence of any Default or Event of Default under this Agreement of which they shall have actual knowledge or written notice, but the Issuer shall not be liable for failing to give such notice.

Section 7.7 Cure by Tax Credit Investor.

Notwithstanding anything to the contrary contained herein, the Issuer hereby agrees that any timely cure of any default made or tendered by the Tax Credit Investor shall be deemed to be a cure by the Borrower, and shall be accepted or rejected on the same basis as if made or tendered by the Borrower; provided, however, that the Tax Credit Investor shall not have any obligation or duty to take any action to cure any default or to cause any default to be cured.

Section 7.8 Default Rate; Acceleration Premium.

In the event there shall have occurred an acceleration of the obligations of the Borrower hereunder following an Event of Default on or before [OPTIONAL REDEMPTION DATE], any tender of payment of an amount necessary to satisfy the indebtedness evidenced by this Agreement shall include the acceleration premium set forth in Section 2.3(c) hereof. In addition, in the event that principal or interest payable hereunder is not paid when due, there shall be payable on the amount not timely paid, interest at the Default Rate until the unpaid amount, together with interest thereon, shall have been paid in full.

Section 7.9 Reserved Rights; Regulatory Agreement Defaults.

(a) Notwithstanding anything to the contrary contained herein, the Issuer may enforce its Reserved Rights under the Bond Documents and exercise the permitted remedies with respect thereto against the Borrower, subject to the provisions of subparagraph (c) below.

(b) In the event of a default in respect of Reserved Rights or a Regulatory Agreement Default which remains uncured after written notice thereof to the Borrower, the Bondholder Representative, nothing in this Section 7.9 shall restrict or in any way limit the right of the Issuer or the Trustee to take any action for specific performance available under the Land Use Restriction Agreement or at law or in equity in order to enforce the terms of the Land Use Restriction Agreement or to enforce Reserved Rights hereunder, so long as neither the Issuer nor the Trustee takes any action (i) to declare the outstanding balance of the Bonds or the Loan to be due on account of such default, (ii) to have a receiver appointed

in respect of the Project, (iii) to foreclose any liens upon or security interests or to enforce any other similar remedy against any of the property described in the Mortgage, or (iv) to enforce any other similar remedy which would cause such liens or security interests to be discharged or materially impaired thereby.

[End of Article VII]

ARTICLE VIII DEPOSITS TO FUNDS

Section 8.1 Deposits to and Disbursements from the Replacement Reserve Fund.

Pursuant to the Replacement Reserve Agreement, the Borrower shall pay or cause to be paid to the Trustee, for deposit into the Replacement Reserve Fund established by the Indenture, the amounts described in the Replacement Reserve Agreement. The sums contained in the Replacement Reserve Fund from time to time, shall be maintained, disbursed, and applied as provided in the Replacement Reserve Agreement and pursuant to Section 4.5(d) of the Indenture.

Section 8.2 Deposits to Tax and Insurance Escrow Fund.

(a) As a condition of Stabilization, the Borrower shall pay, or cause to be paid, to the Trustee, to be deposited in the Tax and Insurance Escrow Account, an amount which, when added to an amount equal to the sum of:

(i) the product of the Impositions component of the Monthly Tax and Insurance Amount for the Project and the number of months from and including the Stabilization Date, until and including the month in which occurs the date that the Impositions on the Project are due and payable before penalty; and

(ii) the product of the insurance component of the Monthly Tax and Insurance Amount and the number of months from and including the Stabilization Date, until and including the month in which occurs the date that the annual insurance premiums for the insurance on the Project required hereunder are due and payable will be sufficient to pay in full the Impositions and insurance premiums for the Project when the same become due and payable before penalty.

(b) Thereafter, on the Business Day prior to the first Business Day of each month commencing the month following the Stabilization Date, and each month thereafter, the Borrower shall pay, or cause to be paid, to the Trustee an amount equal to the Monthly Tax and Insurance Amount for the Project to be deposited in the Tax and Insurance Escrow Fund.

Section 8.3 Intentionally Omitted.

Section 8.4 Deposits to Redemption Fund.

(a) On the Business Day prior to the first Business Day following the Stabilization Date, and thereafter on the first Business Day prior to the first of each month, commencing the month following the Stabilization Date, until the date on which the Bonds are no longer Outstanding or have been defeased, the Borrower shall pay to the Trustee the monthly amount shown on *Schedule 3* attached hereto for deposit into the Redemption Fund pursuant to Section 4.5(a) of the Indenture.

(b) Notwithstanding the foregoing, in the event that the Stabilization Date is extended in accordance the provisions of the Indenture, the Bondholder Representative shall provide the Borrower and the Trustee with a revised ***Schedule 3*** and the required payments into the Redemption Fund as described in subsection (a) above shall commence in accordance with such revised ***Schedule 3***.

(c) Following any partial redemption of the Bonds (other than pursuant to Section 2.12(c) of the Indenture), the Bondholder Representative shall adjust the monthly amount due pursuant to this provision to account for any partial redemption of the Bonds in the manner set forth in Section 2.12(e) of the Indenture and shall provide the Borrower and the Trustee with the revised ***Schedule 3***. The Borrower shall also pay to the Trustee for deposit in the Redemption Fund all other amounts required to redeem Bonds pursuant to Section 2.12 of the Indenture, as provided therein.

Section 8.5 [Deposits to Operating Reserve Fund.]

The Borrower shall deposit or cause to be deposited into the Operating Reserve Fund held by [____], a sum equal to the Operating Reserve Fund Requirement, which may happen simultaneously with the achievement of Stabilization. Following any disbursement, payment or transfer of moneys from the Operating Reserve Fund, the Borrower shall replenish the Operating Reserve Fund monthly, from and to the extent of revenue from the operation of the Project available after payment of Expenses, capital expenditures and amounts then due and owing under the Bond Documents, and prior to the payment of any distributions to the Borrower's members, until such time as the balance on deposit in the Operating Reserve Fund equals the Operating Reserve Fund Requirement. Amounts on deposit in the Operating Reserve Fund shall be applied as set forth in Section 4.5(e) of the Indenture and in accordance with Section [____] of the Operating Agreement.]

Section 8.6 Deposits to Project Revenue Account.

All times prior to the achievement of Stabilization, the Borrower shall deposit into the Project Revenue Account of the Project Fund all amounts received in connection with operating the Project (net of Expenses), which funds will be used in accordance with Section 4.3(f) of the Indenture.

Section 8.7 Security Interest in Accounts.

The Borrower hereby assigns and pledges to the Issuer, and grants the Issuer a security interest in, as additional collateral security for the Borrower's obligations to the Issuer hereunder (and the Borrower acknowledges and agrees that the Issuer shall have a continuing security interest in) all of the Borrower's right, title and interest, if any, in all Accounts, all cash, cash equivalents, instruments, investments and other securities at any time held in the Accounts, all proceeds of the foregoing, and all of the Borrower's rights associated with such Accounts, if any. The Issuer hereby directs the Trustee to hold all moneys in the Accounts from time to time as agent and bailee of the Issuer.

Section 8.8 Reports.

The Trustee shall provide to the Borrower detailed monthly reports on or before the fifth (5th) day of the month following the month to which such report relates showing receipts, disbursements, balances and investments of each Account. Within ten (10) days of a written request of the Borrower to such effect, the Trustee shall deliver to the Borrower an accounting of receipts, disbursements and balances in one or more of the Accounts as necessary and appropriate to assist the Borrower in complying with its covenants to calculate and pay any rebate amount or yield reduction payments due and owing to the United States of America with respect to the Bonds. Such reports and accountings shall be provided by the Trustee's portfolio system.

Section 8.9 No Liability of Trustee.

In performing any of its duties hereunder, the Trustee shall not incur any liability to anyone for any damages, losses or expenses, except for its gross negligence, bad faith or willful misconduct; and the Trustee shall not incur any liability with respect to any action taken or omitted in good faith in the performance of its duties and responsibilities under this Agreement.

Section 8.10 Investment of Funds in Accounts.

Funds in the Accounts shall be invested in Permitted Investments upon the written direction of the Borrower with the prior written consent of the Bondholder Representative, as set forth in Section 4.7 of the Indenture. Earnings on the Funds and Accounts hereunder shall be held or disbursed as set forth in Article IV of the Indenture. The Trustee shall have the right to invest or withdraw any deposited funds or to direct the liquidation of any investments held in order to pay the amounts required under this Agreement and the other Bond Documents. The Trustee shall not be liable for any loss, fee, tax or other charge sustained as a result of any liquidation of any collateral prior to its maturity. Any income or gain realized on such investments shall be credited to and become part of the respective Account and reinvested and applied as provided in the Indenture. Provided that an Event of Default does not exist and is continuing, the Borrower from time to time may request the Bondholder Representative to consent to the disbursement to or upon the order of the Borrower of the investment income previously credited to the Accounts, which consent by the Bondholder Representative shall not be unreasonably withheld or delayed.

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

[Article VIII]

ARTICLE IX CONSTRUCTION AND FUNDING OF ADVANCES

Section 9.1 Construction of Project; Final Completion.

The Borrower shall commence performance of the Work in respect of the Improvements no later than thirty (30) days after the Issue Date, and shall achieve Final Completion of such Work in accordance with the Plans and Specifications on or before the Completion Date; provided, however, that at the request of the Borrower and with the prior written approval of the Bondholder Representative, the Completion Date may be extended for an additional six (6) months, upon such conditions as the Bondholder Representative may specify.

Section 9.2 Making The Advances.

(a) At such time as the Borrower desires to obtain an advance from the Project Fund, an Authorized Person shall complete, execute and deliver a Requisition to the Bondholder Representative and the Trustee at least fifteen (15) Business Days prior to the date of the requested Advance. If the Bondholder Representative has not delivered notice to the Trustee and the Borrower objecting to any Requisition (together with specific information concerning the nature of any objection it may have) at least ten (10) Business Days prior to the date of the requested Advance, the Requisition shall be deemed approved by the Bondholder Representative and the Trustee is authorized and directed to comply with such Requisition. If a notice of objection to such Requisition is delivered to the Trustee at least 10 Business Days prior to the date of the requested Advance, the Borrower shall work with the Bondholder Representative to resolve any objection by the Bondholder Representative, and shall thereafter send a modified Requisition approved in writing by the Bondholder Representative at least 5 Business Days in prior to the date of the requested Advance (as such date may be so modified).

(b) Each fully completed Requisition shall be submitted to the Bondholder Representative at least fifteen (15) Business Days prior to the date of the requested Advance, and no more frequently than once each month (excluding the month in which the initial advance is requested wherein the Bondholder Representative may approve one additional Advance). The Borrower shall open and maintain a checking account with a financial institution reasonably satisfactory to the Bondholder Representative. Except as otherwise provided for herein, the Bondholder Representative, on behalf of the Borrower, shall direct the Trustee to deposit the proceeds of each Requisition into such account.

Section 9.3 Advances to Contractors; to Others.

At its option during the existence of any Event of Default or Default, the Bondholder Representative may direct the Trustee to make any or all advances: (a) for costs incurred under any construction contract directly to a contractor, subcontractor or vendor, (b) through the Title Company, or (c) to any Person to whom the Bondholder Representative in good faith determines payment is due.

Section 9.4 Requisition.

Each Requisition shall be in the form set forth in *Exhibit B* attached hereto, shall be signed on behalf of the Borrower by an Authorized Person, shall be subject to approval by the Bondholder Representative prior to payment as set forth in Section 9.2(a) and shall state with respect to each disbursement to be made: (a) the number of the Requisition; (b) the amount to be disbursed; (c) that each obligation therein for which such disbursement is being requested has been properly incurred and has not been the basis for any previous disbursement; and (d) that the expenditure of such disbursement, when added to all previous disbursements, will result in not less than (i) ninety-five percent (95%) of all disbursements having been used to pay or reimburse the Borrower for Qualified Project Costs, and (ii) one hundred percent (100%) of all disbursements have been used to pay or reimburse the Borrower for Project Costs.

Section 9.5 Project Costs.

The Development Budget reflects the purposes and the amounts for which funds to be advanced by the Trustee from the Project Fund are to be used. Subject to Section 9.7 hereof, the Bondholder Representative shall not be required to approve any Requisition requiring disbursement of funds from the Project Fund for any item of Work in an amount exceeding the amount specified for any item in the Development Budget. The Borrower acknowledges and agrees that, subject to Section 9.7 hereof, in no event will the Bondholder Representative approve any Advance in an amount exceeding (a) the total cost (as determined by the Bondholder Representative) of the labor, materials, fixtures, machinery and equipment completed, approved and incorporated into the Project Facilities prior to the date of such Requisition, less (b) Retainage (if required) less (c) the total amount of any Advances previously made by the Trustee from the Project Fund for such costs.

Section 9.6 Retainage.

The Bondholder Representative shall approve disbursement of Retainage upon completion of the Work or category of Work by the contractor or subcontractor under the contract for which the Retainage was held. No advance of funds from the Project Fund shall be approved unless all Work done at the date the Requisition for such advance is submitted is done in a good and workmanlike manner and without defects, as confirmed by the report of the Engineering Consultant, if applicable.

Section 9.7 Contingency Reserve.

The amount allocated to “contingency” in the Development Budget is not intended to be disbursed without, and will only be disbursed upon, the prior approval of the Bondholder Representative. The disbursement of a portion of the contingency reserve shall in no way prejudice the Bondholder Representative from directing the Trustee to withhold disbursement of any further portion of the contingency reserve. The Bondholder Representative’s approval of a Requisition allocating contingency shall constitute approval thereof.

Section 9.8 Stored Materials.

The Bondholder Representative shall approve Requisitions for funds for materials, furnishings, fixtures, machinery or equipment not yet incorporated into the Improvements, provided that any such disbursement shall be subject to and shall be contingent upon the Bondholder Representative receiving satisfactory evidence that:

- (a) such materials are components in a form ready for incorporation into the Improvements and shall be so incorporated within a period of ninety (90) days; and
- (b) such materials are stored at the Project, or at such other site as the Bondholder Representative shall approve, and are insured and protected against theft and damage.

Section 9.9 Cost Overruns and Savings.

(a) If the Borrower becomes aware of any change in the costs of the Work which will increase or decrease the projection of the costs reflected on the Development Budget by **[more]** than \$100,000, the Borrower shall immediately notify the Bondholder Representative in writing and promptly submit to the Bondholder Representative for its approval of a revised Development Budget. If the Bondholder Representative otherwise becomes aware of any such change in costs of the Work, the Bondholder Representative shall have the right to prepare and to authorize disbursements on the basis of a revised Development Budget. **[W&W: suggest aligning this threshold with owner AROA, to be distributed.]**

(b) If the revised Development Budget indicates an increase in costs of the Work for the Project (in excess of the aggregate contingency amount and savings), no further Requisitions for the Work at the Project will be approved by the Bondholder Representative unless and until the Borrower has deposited with the Trustee any required funds necessary to cause the amount remaining on deposit in the Project Fund will be sufficient to complete fully the construction or renovation of the Improvements substantially in accordance with the Plans and Specifications to the extent applicable, and to pay all other Projected costs in connection with the Work.

(c) If the revised Development Budget indicates a decrease in costs of the Work for the Project **[by more than \$100,000]**, no savings may be reallocated by the Borrower unless and until the Borrower has furnished the Bondholder Representative and the Engineering Consultant, if applicable, with evidence satisfactory to them that the labor performed and materials supplied in connection with such line item of costs have been satisfactorily completed and paid for in full. At such time, such savings may be reallocated by the Borrower, with the consent of the Bondholder Representative to other line items.

(d) The Issuer does not make any warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the Project Costs will be sufficient to pay all of the Project Costs. The Borrower agrees that if after exhaustion of

the moneys in the Project Fund, the Borrower should pay any portion of the Project Costs as required herein, the Borrower shall not be entitled to any reimbursement therefor from the Issuer, nor shall the Borrower be entitled to any diminution of the amounts payable under this Agreement or under the Notes.

Section 9.10 Right to Retain the Engineering Consultant.

(a) Bondholder Representative may engage at the Borrower's cost and expense, the Engineering Consultant to perform various services on behalf of the Bondholder Representative, including, without limitation, to make periodic inspections for the purpose of assuring that construction or renovation of the Improvements to date is in accordance with the Plans and Specifications, to advise the Bondholder Representative of the anticipated cost of and time for completion of construction or renovation of the Improvements and to review all construction contracts and subcontracts.

(b) The reasonable fees of the Engineering Consultant during the performance of the construction shall be paid by the Borrower in accordance with Section 2.2(c) hereof.

(c) Neither the Bondholder Representative nor the Engineering Consultant shall have any liability to the Borrower on account of (i) the services performed by the Engineering Consultant, (ii) any neglect or failure on the part of the Engineering Consultant to properly perform its services, or (iii) any approval by the Engineering Consultant of construction or renovation of the Improvements. Neither the Bondholder Representative nor the Engineering Consultant assumes any obligation to the Borrower, the Managing Member or any other Person concerning the quality of the Work performed or the absence of defects from the Improvements.

(d) In the event the Bondholder Representative has not engaged an Engineering Consultant prior to the commencement of the Work, the Borrower shall provide to the Bondholder, within five (5) Business Days of receipt thereof, any reports or other documents prepared by the Construction Monitor in connection with its review of the Work.

Section 9.11 Inspections.

The Borrower agrees to provide and cause to be provided to the Bondholder Representative and the Engineering Consultant, if applicable, and their authorized agents, at all times, facilities commonly made available by responsible general contractors for the inspection of the Improvements, and to afford full and free access to the Bondholder Representative and the Engineering Consultant and their authorized agents to all plans, drawings and records with respect to the construction or renovation of the Improvements. The Borrower further agrees to promptly send to the Bondholder Representative copies of all construction inspection reports made by the Borrower's Architect or engineer.

Section 9.12 Initial Advances.

The right of the Borrower to draw the initial Advance on the Issue Date shall be subject to the satisfaction of the following conditions precedent:

(a) The Borrower shall have delivered the items listed on Part A of *Schedule 7* attached hereto;

(b) The Borrower shall have delivered evidence as to the obtaining of all approvals, permits and licenses which are then required, if any, or necessary for the construction or renovation of the Improvements at the Project, together with copies of all such approvals, permits and licenses or evidence that no such permits or licenses are required;

(c) The Borrower shall have delivered copies of the Borrower's contracts with the Architect, and the Contractor, duly executed by the parties thereto, and to the extent applicable, a list of all subcontractors and materialmen who have been or, to the extent identified by the Borrower, will be, supplying labor or materials for the construction and/or renovation of the Project;

(d) The Borrower shall have delivered to the Bondholder Representative two (2) complete sets of the Plans and Specifications, together with evidence of their approval by all Governmental Authorities having jurisdiction;

(e) The Borrower shall have delivered Payment and Performance Bonds in respect of the Construction Contract;

(f) Reserved;

(g) The Borrower shall have delivered to the Bondholder Representative evidence as to:

(i) the methods of access to and egress from the Project, and nearby or adjoining public ways, meeting the reasonable requirements of the Project and the status of completion of any required improvements to such access;

(ii) the availability of water supply and storm and sanitary sewer facilities meeting the reasonable requirements of the Project;

(iii) the availability of all other required utilities, in location and capacity sufficient to meet the reasonable needs of the Project; and

(iv) the obtaining of all Governmental Actions which are required, necessary or desirable for the construction of the Improvements and the access thereto, together with copies of all such Governmental Actions as listed on *Schedule 6*;

(h) The initial installment of the Borrower's Required Equity Funds in the amount of (\$**BORROWER'S REQUIRED EQUITY FUND INSTALLMENT**) shall have been delivered to the Trustee and the other deposits required under Section 4.1(c) of the Indenture shall have been made; and

(i) The Bondholder Representative and the Borrower shall have executed or approved a closing statement for the Bonds in form and substance satisfactory to the Majority Owner and, if any portion of the initial Advance shall be for hard costs of construction, a completed Requisition as described in Section 9.13(d)(i) hereof.

Section 9.13 Subsequent Advances.

The right of the Borrower to draw any subsequent advances of funds from the Project Fund shall be subject to the satisfaction of the following conditions:

(a) The Borrower shall have delivered the items listed on Part B of **Schedule 7** attached hereto.

(b) If the Improvements shall have been materially injured or damaged by fire, explosion, accident, flood or other casualty, such Improvements are able to be and are diligently being restored in accordance with the terms of the Mortgage;

(c) There shall not be a continuing Event of Default or a Default;

(d) The Bondholder Representative shall have received:

(i) a completed Requisition in the form set forth on **Exhibit B** hereto, accompanied by the certificates, applications, invoices and other materials required thereby;

(ii) a "date down" endorsement to the Title Policy indicating no change in the state of title not approved by the Bondholder Representative; and

(iii) approval of the portion of the Requisition applicable to the Work for such Advance by the Engineering Consultant or the Construction Monitor, as applicable, accompanied by a certificate or report from the Engineering Consultant or the Construction Monitor, as applicable, to the effect that in its opinion, based on site observations and submissions by the Contractor, the Work for which the advance is requested to the date thereof was performed in a good and workmanlike manner and stating that the remaining non-disbursed portion of the Bond proceeds and other available funds and funds projected to be deposited in the Project Fund established under the Indenture is adequate to complete construction or renovation of the Improvements in accordance with the Plans and Specifications.

(e) Notwithstanding anything to the contrary set forth in this Agreement, no sums shall be disbursed until the Borrower has delivered a waiver or full or partial release

of liens from all contractors, subcontractors, materialmen or others who may be entitled to a lien, as permitted by law for the work for which payment is requested.

(f) The Bondholder Representative may withhold or refuse to approve any Requisition hereunder if any mechanic's lien is filed or notice of intention to record or file a mechanic's lien has been filed or given and such liens are not immediately bonded and insured under the terms of the Title Policy (or otherwise adequately secured in a manner acceptable to the Bondholder Representative).

(g) In addition to the conditions set forth in this Section 9.13, the Bondholder Representative's obligation to approve any Requisition for Retainage shall be subject to receipt by the Bondholder Representative of the Engineering Consultant's certification of completion as to the Work performed under any contract or subcontract for which the Retainage will be disbursed if the Engineering Consultant has been engaged pursuant to Section 9.10 herein.

(h) All installments of Required Equity Funds then due and payable, as set forth on Schedule 14 of the Loan Agreement shall have been deposited with the Trustee;

(i) If at any time during the construction and/or renovation of the Project, the Bondholder Representative shall in its sole discretion determine that the remaining undisbursed portion of the Project Fund, any other sums previously deposited by the Borrower with the Trustee, any amounts required to be deposited in the Project Revenue Account pursuant to Section 8.6 hereof (other than funds which have not been deposited due to a default by the Borrower in its obligation to deposit such funds), is or will be insufficient to complete fully the construction or renovation of the Improvements in accordance with the Scope of Work, and to pay all other projected costs in connection with the Work, the Borrower will, within seven (7) days after written notice of such determination from the Bondholder Representative deposit with the Trustee (for deposit into the Equity Account of the Project Fund) such sums of money in cash as the Bondholder Representative may reasonably require, in an amount sufficient to remedy the condition described in such notice, and sufficient to pay any liens for labor and materials alleged to be due and payable at the time in connection with the Improvements (to the extent not already bonded over or reserved for), and, at the Bondholder Representative's option, shall not be obligated to authorize any further advances of the amounts held in the Project Fund by the Trustee until the provisions of this Section 9.13(i) have been fully complied with.

(j) No Material Change Order shall have been made without the written approval of the Bondholder Representative. Approval of a Requisition with a Material Change Order shall constitute approval thereof.

(k) Within five (5) days after receiving notice from the Bondholder Representative (or the Engineering Consultant, if applicable), the Borrower will commence or cause to be commenced the removal of all materials, whether worked or unworked, and all portions of the construction which the Bondholder Representative (or the Engineering

Consultant, if applicable) may identify as failing in a substantial way to conform with the Plans and Specifications, and will prosecute diligently or cause to be prosecuted diligently such removal. The Borrower further agrees to make good all portions of the construction and other materials damaged by such removal.

Section 9.14 Effect of Approval.

Approval of any Requisition by the Bondholder Representative shall not constitute an approval or acceptance of the Work or materials, nor shall such approval give rise to any liability or responsibility relating to: (a) the quality of the Work, the quantity of the Work, the rate of progress in completion of the Work, or the sufficiency of materials or labor being supplied in connection therewith; and (b) any errors, omissions, inconsistencies or other defects of any nature in the Plans and Specifications. Any inspection of the Work that the Bondholder Representative or the Engineering Consultant, if applicable, may choose to make, whether through any consulting engineer or architect, agent or employee or officer, during the progress of the Work shall be for the Bondholder Representative's information and under no circumstances will they be deemed to have been made for the purpose of supervising or superintending the Work, or for the information or protection of any right or interest of any person or entity other than the Bondholder Representative.

[End of Article IX]

ARTICLE X MISCELLANEOUS

Section 10.1 Notices.

All notices and other communications provided for hereunder shall be in writing and sent as provided in Section 10.4 of the Indenture.

Section 10.2 Successors and Assigns; Third Party Beneficiaries.

This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns, including, without limitation, the Trustee. The Bondholder Representative and the Holders from time to time of the Bonds are express third party beneficiaries of this Agreement and the rights of the Trustee (as assignee of the Issuer) hereunder, with full rights of enforcement thereof. The Borrower may not assign its interests in or its rights, duties or obligations under this Agreement without the prior written consent of the Bondholder Representative. The Borrower and the Issuer intend that no person other than the parties hereto, the Bondholder Representative and the Holders from time to time of the Bonds and their respective successors and assigns as permitted hereunder, shall have any claim or interest under this Agreement or right of action hereon or hereunder.

Section 10.3 Survival of Covenants.

All covenants made by the Borrower herein and in any document delivered pursuant hereto shall survive the issuance, delivery and sale of the Bonds, the delivery of this Agreement and the payment of any amounts under the Bond Documents.

Section 10.4 Counterparts.

The execution hereof by each party hereto shall constitute a contract between them for the uses and purposes herein set forth, and this Agreement may be executed in any number of counterparts, with each executed counterpart constituting an original and all counterparts together constituting one agreement.

Section 10.5 Costs, Expenses and Taxes.

The Borrower agrees to pay on the Issue Date and thereafter within thirty (30) days after demand, all reasonable costs and expenses of the Issuer, the Trustee, the Bondholder Representative in connection with the preparation, execution, delivery, administration and enforcement of this Agreement, the other Bond Documents and any other documents that may be delivered in connection with this Agreement or the other Bond Documents or any amendments or supplements thereto, including, without limitation, the fees and expenses of the Engineering Consultant, the cost of an annual appraisal (but only upon the occurrence and during the continuation of an Event of Default) of the Project by an appraiser selected by the Bondholder Representative, and the reasonable fees and expenses of counsel for the Bondholder Representative with respect thereto and with respect to advising the Majority Owner, and the Bondholder

Representative as to their respective rights and responsibilities under this Agreement, the other Bond Documents and such other documents, and all costs and expenses, if any, (including, without limitation, reasonable counsel fees and expenses of the Bondholder Representative and the Majority Owner) in connection with the enforcement of this Agreement, the other Bond Documents and such other documents.

Section 10.6 Severability; Interest Limitation.

If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction, it shall be ineffective as to such jurisdiction only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision as to such jurisdiction to the extent it is not prohibited or unenforceable, nor invalidate such provision in any other jurisdiction, nor invalidate the other provisions hereof, all of which shall be liberally construed in favor of the Issuer in order to effect the provisions of this Agreement. Notwithstanding anything to the contrary herein contained, the total liability of the Borrower for payment of interest pursuant hereto shall not exceed the maximum amount, if any, of such interest permitted by applicable Legal Requirements to be contracted for, charged or received, and if any payments by the Borrower to the Trustee include interest in excess of such a maximum amount, the Trustee shall apply such excess to the reduction of the unpaid principal amount due pursuant hereto, or if none is due, such excess shall be refunded to the Borrower; provided that, to the extent permitted by applicable Legal Requirements, in the event the interest is not collected, is applied to principal or is refunded pursuant to this sentence and interest thereafter payable pursuant hereto shall be less than such maximum amount, then such interest thereafter so payable shall be increased up to such maximum amount to the extent necessary to recover the amount of interest, if any, theretofore uncollected, applied to principal or refunded pursuant to this sentence. Any such application or refund shall not cure or waive any Event of Default. In determining whether or not any interest payable under this Agreement exceeds the highest rate permitted by applicable Legal Requirements, any non-principal payment (except payments specifically stated in this Agreement to be “interest”) shall be deemed, to the extent permitted by applicable Legal Requirements, to be an expense, fee, premium or penalty rather than interest.

Section 10.7 Conflicts.

Insofar as possible the provisions of this Agreement shall be deemed complementary to the terms of the other Bond Documents, but in the event of conflict the terms hereof shall control to the extent such are enforceable under applicable Legal Requirements.

Section 10.8 Complete Agreement.

Taken together with the other Bond Documents and the other instruments and documents delivered in compliance herewith, this Agreement is a complete memorandum of the agreement of the Borrower, the Managing Member, the Guarantor, the Trustee, the Issuer, the Bondholder Representative and the Holders from time to time of the Bonds, with respect to the subject matter hereof.

Section 10.9 Consent to Jurisdiction; Venue; Waiver of Jury Trial.

The parties hereby irrevocably (a) agree that any suit, action or other legal proceeding arising out of or relating to this Agreement or the other Bond Documents may be brought in any federal court located in Anoka County, Minnesota and consents to the jurisdiction of such court in any such suit, action or proceeding; (b) agree that any suit, action or other legal proceeding relating to the Bond Documents shall be brought solely in a federal or state court located in Anoka County, Minnesota and (c) waive any objection which it may have to the laying of venue of any such suit, action or proceeding in any such court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. The parties hereby irrevocably consent to the service of any and all process in any such suit, action or proceeding by mailing of copies of such process to such party at its address provided under or pursuant to Section 10.1 hereof. The parties agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Legal Requirements. All mailings under this Section shall be by certified or registered mail, return receipt requested. Nothing in this Section shall affect the right of the Bondholder Representative and the Majority Owner to serve legal process in any other manner permitted by applicable Legal Requirements. THE PARTIES HERETO HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING UNDER THIS AGREEMENT, ANY OF THE OTHER BOND DOCUMENTS OR OTHERWISE IN CONNECTION HERewith.

Section 10.10 Governing Law.

This Agreement shall be governed by, and construed in accordance with, the Legal Requirements of the State without reference to its principles of conflicts of law.

Section 10.11 Intentionally Omitted.

Section 10.12 Headings.

Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 10.13 Sale of Bonds and Secondary Market Transaction. [Under Review.]

(a) At the Bondholder Representative's request (to the extent not already required to be provided by the Borrower under this Agreement), the Borrower shall use reasonable efforts to satisfy the market standards to which the Bondholder Representative customarily adheres or which may be reasonably required in the marketplace or by the Bondholder Representative in connection with one or more sales or assignments of all or a portion of the Bonds or participations therein or securitizations of single or multi-class securities (the "Securities") secured by or evidencing ownership interests in all or a portion of the Bonds (each such sale, assignment and/or securitization, a "Secondary Market Transaction"); provided that the Issuer shall not be classified as an "obligated person" within the meaning of Rule 15c2-12 of the Securities and Exchange Act and provided further that neither the Borrower nor the Issuer shall incur any third party or other out-of-

pocket costs and expenses in connection with a Secondary Market Transaction, including the costs associated with the delivery of any Provided Information or any opinion required in connection therewith, and all such costs including, without limitation, any costs associated with receiving a rating on the Bonds, shall be paid by the Bondholder Representative, and shall not materially modify Borrower's rights or obligations. Without limiting the generality of the foregoing, the Borrower and the Issuer, as applicable, shall, so long as the Loan is still outstanding:

(i) (1) provide reasonable financial and other information with respect to the Bonds, and with respect to the Project, the Borrower, the Managing Member, the Manager or the Contractor, (2) provide financial statements, audited, if available, relating to the Project with customary disclaimers for any forward looking statements or lack of audit, and (3) at the expense of the Bondholder Representative, perform or permit or cause to be performed or permitted such site inspection, appraisals, surveys, market studies, environmental reviews and reports (Phase I's and, if appropriate, Phase II's), engineering reports, termite and other insect infestation reports and other due diligence investigations of the Project, as may be reasonably requested from time to time by the Bondholder Representative or the Rating Agencies or as may be necessary or appropriate in connection with a Secondary Market Transaction or Exchange Act requirements (the items provided to the Bondholder Representative pursuant to this paragraph (i) being called the "Provided Information"), together, if customary, with appropriate verification of and/or consents to the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Bondholder Representative and the Rating Agencies;

(ii) make such representations and warranties as of the closing date of any Secondary Market Transaction with respect to the Project, the Borrower and the Bond Documents reasonably acceptable to the Bondholder Representative, consistent with the facts covered by such representations and warranties as they exist on the date thereof; and

(iii) execute such amendments to the Bond Documents to accommodate such Secondary Market Transaction so long as such amendment does not affect the material economic terms of the Bond Documents and is not otherwise adverse to such party in its reasonable discretion.

(b) The Borrower understands that certain of the Provided Information and the required records may be included in disclosure documents in connection with a Secondary Market Transaction, including a prospectus or Limited Offering memorandum (each, a "Secondary Market Disclosure Document"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies and service providers or other parties relating to the Secondary Market Transaction. In the event that the Secondary Market Disclosure Document is required to be revised, the Borrower shall cooperate, subject to Section 10.13(c) hereof, with the Bondholder Representative in updating the

Provided Information or required records for inclusion or summary in the Secondary Market Disclosure Document or for other use reasonably required in connection with a Secondary Market Transaction by providing all current information pertaining to the Borrower and the Project necessary to keep the Secondary Market Disclosure Document accurate and complete in all material respects with respect to such matters. The Borrower hereby consents to any and all such disclosures of such information.

(c) In connection with a Secondary Market Disclosure Document, the Borrower shall provide, or in the case of a Borrower-engaged third party such as the Manager, cause it to provide, information reasonably requested by the Bondholder Representative pertaining to the Borrower, the Project or such third party (and portions of any other sections reasonably requested by the Bondholder Representative pertaining to the Borrower, the Project or the third party). The Borrower shall, if requested by the Bondholder Representative, certify in writing that the Borrower has carefully examined those portions of such Secondary Market Disclosure Document, pertaining to the Borrower, the Project or the third party, and such portions (and portions of any other sections reasonably requested and pertaining to the Borrower, the Project or the third party) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; provided that the Borrower shall not be required to make any representations or warranties regarding any Provided Information obtained from a third party except with respect to information it provided to such third parties. Furthermore, the Borrower hereby indemnifies the Bondholder Representative, the Bondholder Representative, the Trustee, the Issuer, the Underwriter and their respective affiliates, officers, agents, and attorneys for any liabilities to which any such parties may become subject to the extent such liabilities arise out of or are based upon the use of the Provided Information in a Secondary Market Disclosure Document.

(d) In connection with filings under the Exchange Act or the Securities Act, the Borrower shall (i) defend and indemnify the Bondholder Representative, the Bondholder Representative, the Trustee, the Issuer, its members, and the Underwriter for any liabilities to which the Bondholder Representative, the Bondholder Representative, the Trustee or the Underwriter may become subject insofar as such liabilities arise out of or are based upon the omission or alleged omission by the Borrower to state in the Provided Information of a material fact required to be stated in the Provided Information in order to make the statements in the Provided Information, in the light of the circumstances under which they were made not misleading, and (ii) reimburse the Bondholder Representative, the Bondholder Representative, the Underwriter and other indemnified parties listed above for any legal or other expenses reasonably incurred by the Bondholder Representative, the Bondholder Representative or the Underwriter in connection with defending or investigating the liabilities; provided that the Borrower shall not provide any indemnification regarding any Provided Information obtained from unrelated third parties except with respect to information it provided to such parties.

(e) Promptly after receipt by an indemnified party under this Section 10.13 of notice of the commencement of any action for which a claim for indemnification is to be made against the Borrower, such indemnified party shall notify the Borrower in writing of such commencement, but the omission to so notify the Borrower will not relieve the Borrower from any liability that it may have to any indemnified party hereunder except to the extent that failure to notify causes prejudice to the Borrower. In the event that any action is brought against any indemnified party, and it notifies the Borrower of the commencement thereof, the Borrower will be entitled, jointly with any other indemnifying party, to participate therein and, to the extent that it (or they) may elect by Written Notice delivered to the indemnified party promptly after receiving the aforesaid notice of commencement, to assume the defense thereof with counsel selected by the Borrower and reasonably satisfactory to such indemnified party in its sole discretion. After notice from the Borrower to such indemnified party under this Section 10.13 and provided that the Borrower duly provides the defense and indemnity herein described including payment of all required fees, expenses and liabilities, the Borrower shall not be responsible for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnified party shall settle or compromise any claim for which the Borrower may be liable hereunder without the prior Written Consent of the Borrower.

(f) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 10.13 is for any reason held to be unenforceable by an indemnified party in respect of any liabilities (or action in respect thereof) referred to therein which would otherwise be indemnifiable under this Section 10.13, the Borrower shall contribute to the amount paid or payable by the indemnified party as a result of such liabilities (or action in respect thereof); provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, the following factors shall be considered: (i) the indemnified parties and the Borrower's relative knowledge and access to information concerning the matter with respect to which the claim was asserted; (ii) the opportunity to correct and prevent any statement or omission; and (iii) any other equitable considerations appropriate in the circumstances. The parties hereto hereby agree that it may not be equitable if the amount of such contribution were determined by pro rata or per capita allocation.

Section 10.14 Nonrecourse; Recourse Exceptions.

(a) Notwithstanding anything to the contrary contained in this Agreement (other than Sections 10.14(b) through (e) hereof) or the other Bond Documents, the Issuer agrees that, in connection with the exercise of any rights or remedies available to the Issuer under this Agreement or any of the other Bond Documents (other than the Environmental Indemnity and the other guaranty agreements of the Guarantors), the Issuer shall look solely to the enforcement of the lien and security interests created by this Agreement and

the other Bond Documents and to the collateral and other security held by the Trustee and all assets of the Borrower.

(b) Notwithstanding the preceding subsection, the Borrower and the Guarantor shall have full recourse and personal liability for, and be subject to, judgments and deficiency decrees arising from and to the extent of any loss or damage suffered or incurred by the Issuer, the Trustee, the Bondholder Representative or the Bondholders as a result of the occurrence of any of the following events:

(i) the Borrower fails to pay to the Trustee upon demand after an Event of Default all Rents to which the Trustee is entitled under Section 2 of the Mortgage and the amount of all security deposits collected by the Borrower from tenants then in residence. However, the Borrower and the Guarantor will not be personally liable for any failure described in this Section 10.14(b)(i) if the Borrower is unable to pay to the Trustee all Rents and security deposits as required by the Mortgage because of a valid order issued in a bankruptcy, receivership, or similar judicial proceeding;

(ii) the Borrower fails to apply all insurance proceeds or casualty or condemnation proceeds as required by the Bond Documents. However, the Borrower and the Guarantor will not be personally liable for any failure described in this Section 10.14(b)(ii) if the Borrower is unable to apply insurance or casualty or condemnation proceeds as required by the Bond Documents because of a valid order issued in a bankruptcy, receivership, or similar judicial proceeding;

(iii) if an Event of Default has occurred and is continuing, the Borrower fails to deliver all books and records relating to the Mortgaged Property or its operation in accordance with the provisions of Section 6.8 or 6.9 of this Agreement;

(iv) the Borrower engages in any willful act of material waste of the Project;

(v) the Borrower or the Managing Member fails to comply with any provision of Section 6.11(b) hereof;

(vi) the occurrence of any of the following transfers:

(A) any Person that is not an Affiliate creates a mechanic's lien or other involuntary lien or encumbrance against the Project and the Borrower has not complied with the provisions of this Agreement;

(B) a transfer of property by devise, descent or operation of law occurs upon the death of a natural person in violation of the requirements set forth in the Bond Documents;

(C) the Borrower grants an easement that does not meet the requirements set forth in the Bond Documents; or

(D) the Borrower executes a Lease that does not meet the requirements set forth in the Bond Documents;

(vii) any act of fraud or willful misconduct or any criminal act of the Borrower, the Managing Member or the Guarantor;

(viii) the Borrower's misappropriation of funds or other Collateral;

(ix) the Borrower fails to pay any Issuer Fees and Expenses or the compensation of the Trustee pursuant to Section 7.2 of the Indenture; or

(x) the Borrower fails to cause the Project to be in compliance with any applicable Governmental Authority accessibility findings or requirements.

(c) The Borrower and the Guarantor shall have full recourse and personal liability for all of the Indebtedness (and the limitation on liability in the first sentence of Section 10.14(a) hereof shall be null and void) as a result of the occurrence of any of the following:

(i) a violation of Section 6.11(a) or 6.13(c) hereof;

(ii) the Borrower or Guarantor fails to cure for thirty (30) days after the giving to it by the Bondholder Representative of written notice to comply with Section 6.12(b) hereof;

(iii) the Borrower's taking any action which adversely affects the excludability from gross income of interest on the Bonds for federal income tax purposes, or the Borrower's omitting or failing to take any action required to maintain the excludability from gross income of interest on the Bonds for federal income tax purposes;

(iv) the Borrower or the Managing Member fails to comply with any provision of Section 6.11(b) hereof and a court of competent jurisdiction holds or determines that such failure or combination of failures is the basis, in whole or in part, for the substantive consolidation of the assets and liabilities of the Borrower or the Managing Member with the assets and liabilities of a debtor pursuant to Title 11 of the Bankruptcy Code;

(v) a transfer that is an Event of Default under Section 7.1 hereof occurs (other than a transfer described in Section 10.14(b)(vi)(B) above, for which Borrower will have personal liability for any loss or damage); provided, however, that Borrower will not have any personal liability for a transfer consisting solely of the involuntary removal or involuntary withdrawal of the Managing Member;

(vi) there was fraud or written material misrepresentation by the Borrower or any officer, director, partner, member or employee of the Borrower in

connection with the application for or creation of the Indebtedness or there is fraud in connection with any request for any action or consent by the Issuer, Trustee, the Bondholder Representative or the Bondholders;

(vii) the Borrower or the Managing Member voluntarily files for bankruptcy protection under the Bankruptcy Code;

(viii) the Borrower or the Managing Member voluntarily becomes subject to any reorganization, receivership, insolvency proceeding, or other similar proceeding pursuant to any other federal or state law affecting debtor and creditor rights;

(ix) the Project or any part of the Project becomes an asset in a voluntary bankruptcy or becomes subject to any voluntary reorganization, receivership, insolvency proceeding, or other similar voluntary proceeding pursuant to any other federal or state law affecting debtor and creditor rights;

(x) an order of relief is entered against the Borrower or the Managing Member pursuant to the Bankruptcy Code or other federal or state law affecting debtor and creditor rights in any involuntary bankruptcy proceeding initiated or joined in by an Affiliate;

(xi) an involuntary bankruptcy or other involuntary insolvency proceeding is commenced against the Borrower or the Managing Member (by a party other than the Trustee or the owner of any Bonds) but only if the Borrower or the Managing Member, as applicable, has failed to use commercially reasonable efforts to dismiss such proceeding or has consented to such proceeding. “Commercially reasonable efforts” will not require any direct or indirect interest holders in the Borrower or the Managing Member to contribute or cause the contribution of additional capital to the Borrower or the Managing Member; or

(xii) the Borrower’s or the Guarantor’s actions delay or hinder the Trustee or the Bondholder Representative in the appointment of a receiver or foreclosure following an Event of Default (excepting only the good faith assertion of applicable legal defenses).

(d) The Borrower and the Guarantor shall have full recourse and personal liability for actual damages as a result of all of the following:

(i) the performance of and compliance with all of the Borrower’s obligations under Sections 5.12 and 6.14 of this Agreement (relating to environmental matters) or the Borrower’s failure to comply with the provisions of the Environmental Indemnity;

(ii) the costs of any audit under Section 6.8 of this Agreement; and

(iii) any costs and expenses incurred by the Issuer, the Trustee, the Bondholder Representative in connection with the collection of any amount for which the Borrower is personally liable under this Section 10.14, including attorneys' fees and costs and the costs of conducting any independent audit of the Borrower's books and records to determine the amount for which the Borrower has personal liability.

(e) Section 7.2 of the Indenture and Section 2.5 of this Agreement are not subject to the nonrecourse provisions of this Section 10.14.

(f) Further, nothing contained in this Section shall be deemed to limit, vary, modify or amend any obligation owed under any guaranty, master lease or indemnification agreement, including the Environmental Indemnity and the other guaranty agreements of the Guarantors, furnished in connection with financing of the acquisition, construction, improvement and equipping of the Project, recourse under which is not, by its terms, expressly limited in accordance with this Section 10.14.

(g) Notwithstanding anything to the contrary in this Agreement, the Notes or any of the Bond Documents, the Issuer and the Trustee shall not be deemed to have waived any right which the Issuer or the Trustee may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Borrower's and the Guarantor's Indebtedness under the Bond Documents or to require that all collateral shall continue to secure all of the Indebtedness under the Bond Documents.

Section 10.15 Publicity.

The Borrower hereby authorizes the Bondholder Representative and its respective Affiliates, without further notice or consent, to use the Borrower's and its Affiliates' name(s), logo(s) and photographs related to the Project in its advertising, marketing and communications materials on a national and/or international basis. Such materials may include web pages, print ads, direct mail and various types of brochures or marketing sheets, and various media formats other than those listed (including without limitation video or audio presentations through any media form). In these materials, the Bondholder Representative also may discuss at a high level the types of services and solutions the Bondholder Representative has provided the Borrower. This authorization shall remain in effect unless the Borrower notifies the Bondholder Representative in writing in accordance with the notice provisions set forth herein that such authorization is revoked. The Bondholder Representative shall also have the right to publicize its involvement in the financing of the Project, including the right to maintain a sign indicating such involvement at a location at the Project reasonably acceptable to the Borrower.

Section 10.16 Determinations by Bondholder Representative.

Subject to specific provisions in this Agreement to the contrary, in any instance under this Agreement where the consent or approval of the Bondholder Representative may be given or is required, or where any determination, judgment or decision is to be rendered by the Bondholder Representative under this Agreement, the granting, withholding or denial of such consent or

approval and the rendering of such determination, judgment or decision shall be made or exercised by the Bondholder Representative (or its designated representative) at its sole but reasonable discretion.

Section 10.17 Electronic Signatures.

The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. For purposes hereof: (i) “electronic signature” means a manually signed original signature that is then transmitted by electronic means or a digital signature of an authorized representative of any party provided by AdobeSign or DocuSign (or such other digital signature provider as specified by such party) in English and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (“pdf”) or other replicating image attached to an electronic mail or internet message, then such signature is a valid and binding signature of the authorized representative of such party.

[End of Article X]

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Agreement to be duly executed and delivered on the day and year first above written.

CITY OF FRIDLEY, MINNESOTA

By: _____
Scott J. Lund
Mayor

By: _____
Walter T. Wysopal
City Manager

[Issuer signature page to Loan Agreement]

S-1

S-2

**ROERS FRIDLEY APARTMENTS OWNER II
LLC,**
a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member II
LLC,
a Minnesota limited liability company
Its: Managing Member

By: _____
Tom Cronin
Its: Authorized Signer

[Borrower signature page to Loan Agreement]

S-4

EXHIBIT A FORM OF PROMISSORY NOTES

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OR SUCCESSOR OF THE TRUSTEE IN ACCORDANCE WITH THE INDENTURE, BOTH REFERRED TO HEREIN.

[CLOSING DATE]

FOR VALUE RECEIVED, Roers Fridley Apartments Owner II LLC, a limited liability company duly formed and validly existing under the laws of the State of Minnesota (the “Borrower”), by this promissory note hereby promises to pay to the order of the City of Fridley, Minnesota (the “Issuer”) the principal sum of _____ Million _____ Thousand _____ Hundred _____ and no/100 Dollars (\$ _____) together with interest on the unpaid principal amount hereof, from the Issue Date (as defined in the Indenture referenced below) until paid in full, at a rate per annum equal to the rate of interest borne by the Bonds (as hereinafter defined), and acceleration premium, if any, on the Bonds. All such payments of principal, interest and acceleration premium, if any, shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the designated corporate trust office of U.S. Bank Trust Company, National Association at 60 Livingston Avenue, St. Paul, Minnesota, 55107 or its successor as trustee under the Indenture (the “Trustee”).

The principal amount and interest shall be payable on the dates and in the amounts set forth on **Schedule 3** of the Agreement (as hereinafter defined) and on such other dates, that principal and redemption price of, and interest on the Bonds, and the acceleration premium, if any, are payable, subject to prepayment as provided in the Indenture and the Agreement.

This promissory note one of the three “Notes” in the form attached to the Loan Agreement as Exhibit A, dated as of [_____] 1, 2023] (as the same may be amended, modified or supplemented from time to time, the “Agreement”), between the Borrower and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to the Trustee under the Indenture of Trust, dated as of [_____] 1, 2023] (as the same may be amended, modified or supplemented from time to time, the “Indenture”), by and between the Issuer and the Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of \$[25,837,893][11,740,000][6,126,000] in aggregate principal amount of the Issuer’s [Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023A (the “Series 2023A Bonds”)] [Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023B (the “Series 2023B Bonds”)] Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023C (the “Series 2023C Bonds”)] or the “Bonds”), issued by the Issuer pursuant to the Indenture. All the terms, conditions and provisions of the

A-1

Indenture and the Bonds are hereby incorporated as a part of this Note. The terms of Section 10.14 of the Loan Agreement are hereby incorporated as if more particularly set forth herein.

Under certain circumstances, the Borrower may at its option and may be required to, prepay all or any part of the amount due on this Note, together with accrued interest thereon, as provided in the Agreement.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Borrower.

The Borrower hereby promises to pay reasonable costs of collection and reasonable attorneys' fees in case of an Event of Default on this Note, as set forth in the Agreement.

This Note shall be governed by, and construed in accordance with, the laws of the State of Minnesota, without regard to conflict of laws principles.

All agreements between Borrower and Issuer, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency or event whatsoever, whether by reason of demand or acceleration of the maturity hereof or otherwise, shall the interest contracted for, charged, received, paid or agreed to be paid to Issuer exceed interest computed at the Maximum Rate (as defined below). If, from any circumstance whatsoever, interest would otherwise be payable to Issuer in excess of interest computed at the Maximum Rate, the interest payable to Issuer shall be reduced to interest computed at the Maximum Rate; and if from any circumstance Issuer shall ever receive anything of value deemed interest by applicable law in excess of interest computed at the Maximum Rate, an amount equal to any excessive interest shall be applied to the reduction of the principal hereof and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal hereof, such excess shall be refunded to the Borrower. All interest paid or agreed to be paid to Issuer shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period until payment in full of the principal (including the period of any renewal or extension hereof) so that the interest hereon for such full period shall not exceed interest computed at the Maximum Rate. This section shall control all agreements between Borrower and Issuer, and any successive holder of this Note. The term "Maximum Rate" shall mean the highest lawful rate of interest applicable to the loan transaction evidenced by this Note taking into account whichever of applicable federal law or Minnesota law permits the higher rate of interest, and after also taking into consideration all compensation deemed interest under applicable law.

[Signature Pages to Follow]

**ROERS FRIDLEY APARTMENTS OWNER II
LLC,**
a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member II
LLC,
a Minnesota limited liability company
Its: Managing Member

By: _____

Its: _____

ENDORSEMENT

Pay to the order of U.S. Bank Trust Company, National Association without recourse, as Trustee under the Indenture referred to in the within mentioned Indenture, as security for the Series 2023 [A][B][C] Bonds issued under such Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Note.

CITY OF FRIDLEY, MINNESOTA

By: _____
 Scott J. Lund
 Mayor

By: _____
 Walter T. Wysopal
 City Manager

Dated: _____, 2023

**EXHIBIT B
FORM OF WRITTEN REQUISITION
OF THE BORROWER**

BORROWER: Roers Fridley Apartments Owner II LLC

PROJECT: Moon Plaza Project

REQUISITION NO.: [REQUISITION NO]

TO: U.S. Bank Trust Company, National Association, as Trustee

[BONDHOLDER REPRESENTATIVE], as Bondholder Representative

The Borrower hereby requests payments in the following amounts, from the following sources and to be made to the following parties, all as set forth on the Borrower's Request for Payment attached to this Requisition:

<u>Amount</u>	<u>Source</u>	<u>Payable to:</u>
[AMOUNT]	[identify name of Account & Fund]	[Borrower's account #] [third party payment/wire instructions must be attached]

Requisition - Contents and Attachments

- ☐ Borrower's Representations and Warranties
- ☐ Contractor's Application and Certification for Payment (AIA Form G-702)
- ☐ Requisitions and Invoices Supporting Application
- ☐ Contractor's Requisition Certificate
- ☐ Architect's Requisition Certificate
- ☐ Borrower's Request for Payment
- ☐ Lien Waivers

Representations and Warranties

1. No changes have been made in the Plans and Specifications which require and have not received the prior approval of (i) the Bondholder Representative under the terms of the Loan Agreement dated as of [_____ 1, 2023] (the “Agreement”), (ii) any Governmental Authority having jurisdiction over the Project or (iii) any other parties from whom such approval is required.
2. Construction or renovation of the Improvements has been performed in accordance with the Plans and Specifications (other than any changes that did not constitute Material Change Orders).
3. As of the date hereof, the Borrower has executed change orders (increasing/decreasing) the cost of construction or renovation of the Improvements by \$[CONSTRUCTION AMOUNT] in the aggregate, has notified the Bondholder Representative and the Engineering Consultant, if applicable, of such changes and, to the extent necessary, has received any and all necessary approvals from the Bondholder Representative.
4. Funding of this Requisition shall be in accordance with the terms and provisions of (i) the Agreement, and (ii) the Indenture of Trust dated as of [_____ 1, 2023], with respect to the Bonds.
5. Each obligation herein for which such disbursement is being requested has been properly incurred and has not been the basis for any previous disbursement. All money requisitioned by the Borrower for construction or renovation of the Improvements and disbursed by the Trustee under previously approved requisitions has been paid to the Contractor and, to the Borrower’s best knowledge, all subcontractors, vendors and suppliers; all other funds requisitioned by the Borrower and disbursed by the Trustee under previously approved requisitions have been expended for the purpose for which they were requisitioned.
6. All of the information submitted to the Bondholder Representative and the Trustee in connection with this Requisition is true and accurate in all material respects as of the date of submission.
7. The representations and warranties set forth in the Bond Documents are true and correct in all material respects as of the date hereof with the same effect as if made on this date.
8. The Borrower represents and warrants that (i) there has occurred no Event of Default or event which, with the passage of time or the giving or notice or both, would constitute an Event of Default on the part of the Borrower or the Guarantor under the terms of the Bond Documents, (ii) except as previously disclosed by the Borrower to the Bondholder Representative, the Borrower has not received notice from or been informed by any Governmental Authority or the Engineering Consultant, if applicable, of any alleged deficiencies in the work performed to date or any deviation of such work from the Plans and Specifications or notice of any assertion of a claim that the Improvements are not being constructed in accordance with all applicable Legal Requirements, (iii) with the exception

of any Permitted Liens and those being contested by the Borrower in accordance with the terms of the Bond Documents, there are no liens against any portion of the Project or any other asset of the Borrower, and (iv) the Bond Documents are in full force and effect.

9. The Borrower represents and warrants that this Requisition is in the form of requisition required by the Bondholder Representative.
10. The Borrower represents and warrants that, the expenditure of such disbursement, when added to all previous disbursements, will result in not less than (i) ninety-five percent (95%) of all disbursements paid from proceeds of the Bonds having been used to pay or reimburse the Borrower for Qualified Project Costs, and (ii) one hundred percent (100%) of all disbursements have been used to pay or reimburse the Borrower for Project Costs.
11. The Borrower represents and warrants that all installments of Required Equity Funds required to be on deposit in the Equity Account pursuant to Schedule 14 of the Loan Agreement have been deposited with the Trustee.
12. Attached hereto are copies of lien waivers from all such contractors, subcontractors and materialmen requisitioning payment under this Requisition, the originals of which have been delivered to the Title Insurance Company.
13. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto under the Loan Agreement.

Executed this ____ day of _____, 20__.

**ROERS FRIDLEY APARTMENTS OWNER II
LLC,**

a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member II
LLC,

a Minnesota limited liability company

Its: Managing Member

By: _____

Its: _____

Approved:

[BONDHOLDER REPRESENTATIVE], as Bondholder Representative

By: _____
Name: _____
Title: _____

Executed this ____ day of _____, 20__.

Contractor's Application for Payment

B-5

Requisitions and Invoices

B-6

Contractor's Requisition Certificate

Application for Payment No.[APPLICATION FOR PAYMENT NO]

TO: U.S. Bank Trust Company, National Association ("Trustee")
[MAJORITY OWNER] ("Majority Owner")
[BONDHOLDER REPRESENTATIVE] ("Bondholder Representative")

FROM: Roers General Contracting, LLC ("Contractor")

RE: Construction of Moon Plaza, 169 units in Fridley, Minnesota (the "Project") by
 Roers Fridley Apartments Owner II LLC ("Borrower").

We are the general contractor for the Project and, to induce the Bondholder Representative to approve disbursements of Bond proceeds and other amounts by the Trustee to assist in funding **[construction]** of the Improvements and knowing that the Trustee and the Bondholder Representative will rely on this certificate in doing so, we hereby certify as follows:

1. In reference to our contract dated [_____] 1, 2023], with Borrower for construction or renovation of the Improvements, and the Plans and Specifications therefor, no amendments, modifications or changes have been made with respect to our contract or the Plans and Specifications except such as have had your prior written approval. There are no pending change orders except as follows:
2. Our Application for Payment No. [APPLICATION FOR PAYMENT NO], dated [_____] 1, 2023], which we understand is to be included as an item in the Borrower's requisition to you, is in full compliance with the terms of our contract with Borrower, and, upon the payment of same, we will have no other or additional claim (including claims for so-called "extras") against Borrower on account of our contract or otherwise for and through the period of time ending upon the date of our Application for Payment, for all labor and materials furnished by us through and including the date of our Application for Payment except as follows:
 - a. Retainage not exceeding [RETAINAGE MAX]% of the value of labor and materials incorporated into the Project and covered by applications submitted by us on account of the construction or renovation of the Improvements for which payment is to be made to us after substantial completion of our contract, as provided therein (the amount of said retainage), as of the end of the period covered by our Application for Payment dated [_____] 1, 2023], is \$[APPLICATION FOR PAYMENT AMOUNT]); and
 - b. [specify other claims, if any]
3. The Borrower is not in default of any of the Borrower's obligations to us as of the date hereof except as follows:

4. We have paid in full all our obligations to subcontractors, workmen, suppliers and materialmen for and with respect to all labor and materials supplied through and including the date of our last Application for Payment, except for an amount equal to ___% thereof, which we are holding in accordance with the terms of such obligations and our contract, and all our subcontractors have paid their subcontractors, workmen and materialmen in full for and with respect to all labor and materials supplied through and including the date of our last Application for Payment.
5. To the fullest extent allowed by law, we waive and release any and all rights to claim any lien for labor done or materials furnished up to an amount equal to the amount of our Application for Payment dated [_____] 1, 2023] plus the amount of all our previously funded applications.

Executed as an instrument under seal this ____ day of _____, 20__.

Roers General Contracting, LLC

By: Roers Companies Project Holdings LLC,
a Minnesota limited liability company

By: _____
Name: Tom Cronin
Title: Chief Financial Officer

Architect's Requisition Certificate

Application for Payment No[APPLICATION FOR PAYMENT NO]

TO: U.S. Bank Trust Company, National Association ("Trustee")
[MAJORITY OWNER] ("Majority Owner")
[BONDHOLDER REPRESENTATIVE] ("Bondholder Representative")

FROM: Kaas Wilson Architects, LLC ("Architect")

RE: Construction of Moon Plaza, 169 units in Fridley , Minnesota (the "Project") by
 Roers Fridley Apartments Owner II LLC ("Borrower").

We are the architect for the Project and, to induce the Bondholder Representative to approve disbursements of Bond proceeds and other amounts by the Trustee to assist in funding construction or renovation of the Improvements, and knowing that the Bondholder Representative will rely on this certificate in doing so, we hereby certify as follows:

1. We inspected the Project on [_____ 1, 2023] and found the status of Work at the Project on that date and the progress made on the Project since our last certificate to you dated [_____ 1, 2023] to be as follows:
2. We delivered the Plans and Specifications for the Project, copies of which have been delivered to you (the "Plans and Specifications"). We have made no changes to the Plans and Specifications except as you have approved in writing. There are no pending change orders or construction change directives except as follows:
3. All Work to date has been done in accordance with the Plans and Specifications and in a good and workmanlike manner. All materials and fixtures usually furnished and installed or stored on site at the current stage of construction or renovation have been furnished, installed or stored on site. All of the Work to date is hereby approved except as follows:
4. We have examined the requisition being submitted herewith to you by the Borrower, which requisition includes an Application for Payment from Roers General Contracting, LLC ("Contractor") respecting construction or renovation of the Improvements. The payment so applied for by Contractor does not exceed (when added to the payments heretofore applied for by and paid to Contractor) [0]% of the value of labor and materials incorporated into the Improvements.
5. We have been advised that as of this date there remains unexpended funds of \$[REMAINS OF UNEXPENDED FUNDS] which are available to fund construction costs, from which funds to pay the aforementioned Application for Payment will be deducted. In our opinion, such unexpended funds, after deduction of funds sufficient to cover both the current Application for Payment and the applicable retainage heretofore withheld and to become due on account of previous Applications, will be sufficient to pay for all construction costs

B-9

reasonably required to complete the Work, provided that the amount advanced under the current application is, in fact, applied against obligations incurred for labor and materials heretofore furnished on account of construction or renovation of the Improvements.

6. All permits, licenses, approvals and the like required to complete construction or renovation of the Improvements have been validly issued by the appropriate authorities and are in full force and effect, and there is no violation of any of the provisions thereof or of any Legal Requirements applicable to the Project of which we have notice or knowledge as of the date hereof except as follows:
7. Access to and egress from the Project and all improvements to be constructed thereon are in accordance with all applicable Legal Requirements. Water, drainage and sanitary sewerage facilities and telephone, gas and electric services of public utilities are or are due to be installed in the locations indicated on the Plans and Specifications and are adequate to serve the Project. All necessary approvals for installation of or connection to said facilities or services have been obtained.
8. To the best of our knowledge, there are no petitions, actions or proceedings pending or threatened to revoke, rescind, alter or declare invalid any laws, ordinances, regulations, permits, licenses or approvals for or relating to the Project.
9. No amendments, modifications or changes have been made to our contract dated [_____, 1, 2023] with the Borrower except such as have had your prior written approval.
10. The Borrower is not in default of any of the Borrower's obligations to us as of the date hereof except as follows:

This certificate is rendered based on our examination of the Project, the Plans and Specifications, the data comprising the Application for Payment and all other matters which we deem relevant. We are to incur no liability under this certificate except for failure to exercise due professional skill and diligence.

Executed as a sealed instrument this _____ day of _____, 20____.

Kaas Wilson Architects, LLC

By: _____
 Name: _____
 Title: _____

B-10

Borrower's Request for Payment

[attach spreadsheets in form provided by Bondholder Representative]

Lien Waivers

B-12

EXHIBIT C MOISTURE DISCLOSURE STATEMENT

This Addendum to the Residential Lease Contract (this “Addendum”) dated the _____ day of _____, 20____ between Roers Fridley Apartments Owner II LLC (“Owner”) and _____ (“Residents”) for the premises located at _____ (the “Leased Premises”). All capitalized terms used but not defined herein shall have the meaning set forth in the Residential Lease Contract.

Mildew, mold and fungi are everywhere in our indoor and outdoor environments. In fact, they play an important and necessary role in decomposition and breaking down of organic matter. All mildew, mold and fungi require water or dampness to grow. Indoors, this water intrusion can come from flooding, backed-up sewers, leaky buildings, humidifiers, constant plumbing leaks, steam, poor housekeeping, wet clothes, appliances not properly vented, inadequate air circulation, etc.

There are a number of factors that influence the growth of mildew, mold and fungi: environmental humidity and moisture content of materials, temperature, air circulation, light, and the chemical composition of potential substances. If there is mildew, mold and fungi growing, you can impact its amplification by affecting the water source, encouraging proper ventilation, and drying out the area.

There are no established guidelines for unacceptable air quality caused by mildew, mold and fungi. Mildew, mold and fungi are a naturally occurring phenomenon. Mildew, mold and fungi should be cleaned as soon as it appears. Mildew, mold and fungi can often be seen in the form of discoloration. The different colors of mildew, mold and fungi range from white to black, including, but not limited to, green, gray brown, orange, yellow and other colors.

Your housekeeping and living habits are an integral part of the ability of mildew, mold and fungi to grow. In order for mildew, mold and fungi to grow water and/or moisture must be present.

RESIDENTS AGREE to maintain the Leased Premises in a manner that prevents the occurrence of mildew, mold and fungi growth within the Leased Premises. In furtherance of such obligation, RESIDENTS AGREE TO PERFORM THE FOLLOWING:

1. To keep the Leased Premises free from dirt and debris that can harbor moisture and result in mildew, mold and fungi growth;
2. To inspect the Leased Premises regularly for the indications and sources of indoor moisture;
3. To immediately report to the Owner any water intrusion, such as roof leaks, window leaks, plumbing leaks, drips, or “sweating” pipes;

4. To immediately notify Owner of overflows from bathroom, kitchen, or the Leased Premises laundry facilities, especially in cases where the overflow may have permeated walls or cabinets;
5. To immediately notify Owner in writing of any significant mildew, mold and fungi growth on surfaces in the Leased Premises;
6. To not air dry wet clothes indoors;
7. To use bathroom exhaust fans while showering or bathing and use stove hood exhaust fans whenever cooking, dishwashing, or cleaning and to notify Owner of any nonworking fan. If the Leased Premises is equipped with an automatic ventilation fan, Residents agree to not disable or otherwise adjust the fan settings;
8. To notify Owner of any problems with the heating, ventilating, and/or air conditioning systems;
9. To water plants outdoors;
10. To clean upon first appearance, any mildew from condensation on window interiors, bathroom & kitchen walls, floors and/or ceilings. Residents understand that mildew, mold and fungi can grow on damp surfaces within 24 to 48 hours and agree to clean including personal property, as soon as reasonably possible. Cleaning is done with common household bleach. Mixture is one part bleach to 10 parts water. Residents may add a little dish soap to the water mixture to cut any dirt and oil on the surface Residents are cleaning that may hold mildew, mold and fungi. Do not add other cleaning chemicals, especially ammonia. Dispose of any rags or sponges used to clean the mildew, mold and fungi in a sealed bag;
11. TO REPORT TO OWNER IN WRITING AND VERBALLY THE PRESENCE OF ANY MILDEW, MOLD AND FUNGI GROWTH on surfaces inside the Leased Premises;
12. To allow Owner immediate entry to the Leased Premises to inspect and make necessary repairs;
13. To use all reasonable care during periods of rain, fog or other outside moisture presence to close all windows and other openings in the Leased Premises to prevent outdoor water from penetrating into the interior of the Leased Premises;
14. To clean and dry any visible condensation/moisture on windows and window tracks, walls and other surfaces, including personal property as soon as reasonably possible. Condensation on windows indicates that fresh air is not being circulated in the Leased Premises. To prevent moisture buildup, open the windows and air out the Leased Premises for short periods of time to keep fresh air present. Excessive running of the heater will cause condensation in the Leased Premises;

15. To maximize the circulation of air by keeping furniture away from walls and out of corners;

RESIDENTS FURTHER AGREE to indemnify and hold harmless Owner and Owner's agents from any suits, actions, claims, losses, damages, and expenses (including reasonable attorneys' fees and court costs) and any liability whatsoever that Owner and/or Owner's agents may sustain or incur as a result of Residents' failure to comply or perform with the obligations set forth above or as the result of the intentional or negligent action or failure to act on the part of Residents or of any other person living in, occupying, or using the Leased Premises, except if the liability is based upon a negligent act or omission of Owner or any agent or employee of Owner;

Residents hereby certify that Residents have read the MOISTURE DISCLOSURE STATEMENT, and have read and understood the contents of this ADDENDUM, and have received a duplicate copy.

INTENDING TO BE BOUND, the parties hereto have executed this Addendum as of the day and year first above written.

Resident or Residents:
(all Residents must sign here)

Lessor:

[LESSOR'S SIGNATURE BLOCK]

Resident's Signature

Resident's Name

Resident's Unit No.

SCHEDULE 1
SCHEDULE OF LITIGATION

None.

Sch 2-1

SCHEDULE 2
SCHEDULE OF OBLIGATIONS AND MATERIAL CONTRACTS

1. Bond Documents
2. **[Operating Agreement]** of the Borrower
3. Development Agreement
4. Management Agreement
5. Construction Contract
6. Architect's Agreement
7. **[Construction Management Agreement]**

Sch 2-1

SCHEDULE 3
SCHEDULE OF DEBT SERVICE PAYMENTS

[See Attached]

Sch 3-1

**SCHEDULE 4
DEVELOPMENT BUDGET**

[See Attached]

Sch 4-1

SCHEDULE 5
PLANS AND SPECIFICATIONS

On File with Issuer and Bondholder

Sch 5-1

SCHEDULE 6
PERMITS AND APPROVALS

On File with Bondholder

Sch 6-1

SCHEDULE 7 CONDITIONS TO ADVANCES

A. CONDITIONS TO INITIAL ADVANCE. The right of the Borrower to draw the initial advance shall be subject to the fulfillment of the following conditions precedent in a manner, and by documentation, satisfactory to the Bondholder Representative:

1. Construction Documents. Each of the Architect's Agreement and the Construction Contract shall have been duly executed and delivered by the respective parties thereto and shall be in full force and effect. The Architect and the Contractor shall have duly executed and delivered to the Bondholder Representative a consent to the assignment of the Architect's Agreement and the Construction Contract in form and substance satisfactory to the Bondholder Representative.

2. Subcontracts; Other Contracts. The Borrower shall have delivered to the Bondholder Representative, and the Bondholder Representative shall have approved, a list of all subcontractors and materialmen who have been or, to the extent identified by the Borrower, will be supplying labor or materials for the Project in the amount of \$10,000 or more. The Borrower shall have delivered to the Bondholder Representative correct and complete photocopies of all other executed contracts with contractors, subcontractors, engineers or consultants for the Project in an amount of \$25,000 or more, and of all development, management, brokerage, sales or leasing agreements for the Project.

3. Validity of Liens. The Mortgage, the Assignment of Project Documents, the Assignment of Capital Contributions, the Developer Fee Pledge and the Managing Member Pledge shall be effective to create in the Trustee a legal, valid and enforceable lien and security interest in the collateral identified therein. All filings, recordings, deliveries of collateral or any documentary evidence of any of the foregoing necessary to preserve such liens and security interests shall have been duly effected.

4. Deliveries. The following items or documents shall have been delivered to the Bondholder Representative by the Borrower and shall be in form and substance satisfactory to the Bondholder Representative.

(a) Plans and Specifications. Two complete sets of the Plans and Specifications and approval thereof by any necessary Governmental Authority, with a certification from the Architect that the Improvements to be constructed comply with all Legal Requirements and Governmental Actions and that the Construction Contract satisfactorily provides for the construction or renovation of the Improvements.

(b) Title Policy. The Title Policy, or a pro forma policy that constitutes a commitment to issue the Title Policy in the form of such pro forma policy, together with proof of payment of all fees and premiums for such policy and true and accurate copies of all documents listed as exceptions under such policy.

(c) Other Insurance. Duplicate originals or certified copies of all policies of insurance required hereunder to be obtained and maintained during the construction or renovation of the Improvements.

(d) Evidence of Sufficiency of Funds. Evidence that the proceeds of the Bonds, together with Required Equity Funds delivered to the Trustee on the Issue Date or to be delivered after the Issue Date pursuant to the **[Operating Agreement]**, will be sufficient to cover all Project Costs reasonably anticipated to be incurred to complete the Improvements prior to the Completion Date and to carry the Project through to Stabilization.

5. Evidence of Access, Availability of Utilities, Project Approvals. Evidence as to:

(a) the methods of access to and egress from the Project, and nearby or adjoining public ways, meeting the reasonable requirements of the Project and the status of completion of any required improvements to such access;

(b) the availability of water supply and storm and sanitary sewer facilities meeting the reasonable requirements of the Project;

(c) the availability of all other required utilities, in location and capacity sufficient to meet the reasonable needs of the Project; and

(d) the obtaining of all Project Approvals which are required, necessary or desirable for the construction or renovation of the Improvements and the access thereto, together with copies of all such Governmental Actions.

6. Environmental Report. An environmental site assessment report or reports of one or more qualified environmental engineering or similar inspection firms approved by the Bondholder Representative, which report or reports shall indicate a condition of the Land and any existing improvements thereon in compliance with all Requirements and in all respects satisfactory to the Bondholder Representative in its sole discretion and upon which report or reports the Bondholder Representative and the Trustee shall be expressly entitled to rely.

7. Soils Report. A soils report for the Project prepared by a soils engineer approved by the Bondholder Representative, which report shall indicate that based upon actual surface and subsurface examination of the Project, the soils conditions are fully satisfactory for the proposed construction or renovation and operation of the Improvements and upon which report or reports the Bondholder Representative and the Trustee shall be expressly entitled to rely. A termite or other insect infestation report prepared by a firm approved by the Bondholder Representative, which report shall indicate that based upon actual inspection of the Project either (i) that there is no termite or other insect infestation at the Project, or (ii) that termite or insect infestation is present and recommended steps for extermination and remediation of the conditions at the Project, and upon which report or reports the Bondholder Representative and the Trustee shall be expressly entitled to rely.

8. Survey and Taxes. A Survey of the Land (and any existing improvements thereon) and Surveyor's Certificate, and evidence of payment of all real estate taxes and municipal charges on the Land (and any existing improvements thereon) which were due and payable prior to the Issue Date.
9. Deposit of Funds. The initial installment of Required Equity Funds shall have been delivered to the Trustee and deposited in the Project Fund.
10. Requisition. A Requisition complying with the provisions of this Agreement and the Indenture.
11. Form Lease. The standard form of lease to be used by the Borrower in connection with the Improvements.
12. Engineering Consultant Report. If engaged by the Bondholder Representative pursuant to Section 9.10 of this Agreement, the Bondholder Representative shall have received a report or written confirmation from the Engineering Consultant that (a) the Engineering Consultant has reviewed the Plans and Specifications, (b) the Plans and Specifications have been received and approved by each Governmental Authority to which the Plans and Specifications are required under applicable Legal Requirements to be submitted, (c) the Construction Contract satisfactorily provides for the construction renovation of the Improvements, and (d) in the opinion of the Engineering Consultant, construction renovation of the Improvements can be completed on or before the Completion Date for an amount not greater than the amount allocated for such purpose in the Development Budget.
13. Searches. The Bondholder Representative shall have received searches from a recognized search firm (which shall be updated from time to time at Borrower's expense upon request by the Bondholder Representative) that searches of the public record disclosed (a) no conditional sales contracts, security agreements, chattel mortgages, leases of personalty, financing statements or title retention agreements which affect the collateral, (b) no bankruptcy filings on the part of any of the Borrower, the Managing Member and the Guarantor (collectively, the "Obligors"), and (c) no litigation with respect to the Project or any of the Obligors that would materially adversely affect the obligations of the Obligors hereunder.
14. Mechanics' Liens. In the event that for any reason the initial Advance is not funded on the Issue Date, Bondholder Representative may withhold or refuse to approve the initial Advance if any mechanic's lien or notice of intention to record or file a mechanic's lien has been filed or given.
15. Notices. All notices required by any Governmental Authority under applicable Legal Requirements to be filed prior to commencement of construction renovation of the Improvements shall have been filed.
16. Appraisal. The Bondholder Representative shall have received an Appraisal, in form and substance satisfactory to the Bondholder Representative, showing that the original face amount of the Bonds does not exceed [90]% of the value of the Project, assuming completion in accordance

with the Plans and Specifications and including the value of the low income housing tax credits and favorable financing.

17. Performance; No Default. The Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it on or prior to the date of the initial advance, and on the date of the initial advance there shall exist no Event of Default.

18. Representations and Warranties. The representations and warranties made by the Obligors in the Bond Documents, the Managing Member Pledge, the Developer Fee Pledge or the documents executed by the Guarantor or otherwise made by or on behalf of the Obligors in connection therewith or after the date thereof shall have been true and correct in all respects when made and shall be true and correct in all respects on the date of the initial advance.

19. Proceedings and Documents. All proceedings in connection with the transactions contemplated by this Agreement and the other Bond Documents shall be satisfactory to the Bondholder Representative and their counsel in form and substance, and the Bondholder Representative shall have received all information and such counterpart originals or certified copies of such documents and such other certificates, opinions or documents as they or their counsel may reasonably require.

20. Payment and Performance Bonds. The Bondholder Representative shall have received the Payment and Performance Bonds equal to 100% of the construction contract amount in form and content satisfactory in all respects to the Bondholder Representative.

B. CONDITIONS TO SUBSEQUENT ADVANCES. The right of the Borrower to draw each advance after the initial advance shall be subject to the following conditions precedent in a manner, and by documentation, satisfactory to the Bondholder Representative:

1. Prior Conditions Satisfied. All conditions precedent to any prior disbursement shall continue to be satisfied as of the date of the Requisition of such subsequent advance.

2. Performance; No Default. The Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it on or prior to the date of such Requisition, and on such date there shall exist no Default or Event of Default.

3. Representations and Warranties. Each of the representations and warranties made by the Borrower in the Bond Documents or otherwise made by or on behalf of the Borrower in connection therewith after the date thereof shall have been true and correct in all respects on the date when made and shall also be true and correct in all material respects on the date of such Requisition (except to the extent of changes resulting from transactions contemplated or permitted by the Bond Documents).

4. No Damage. The Improvements shall not have been injured or damaged by fire, explosion, accident, flood or other casualty.

5. Receipt by Bondholder Representative. The Bondholder Representative, shall have received:

(a) Requisition. A Requisition meeting the requirements of this Agreement and the Indenture;

(b) Endorsement to Title Policy. At the time of each advance to update the date of and increase the amount of coverage by the amount of such advance, such endorsements (a “Down Date Endorsement”) shall be delivered by the Title Insurer, increasing the coverage under the Title Policy by the amount of the approved Requisition plus the amount of any Bond proceeds disbursed from the Capitalized Interest Account of the Project Fund;

6. Approval by Engineering Consultant. If engaged by the Bondholder Representative pursuant to Section 9.10 of this Agreement, approval of the Requisition for such disbursement by the Engineering Consultant, accompanied by a certificate or report from the Engineering Consultant to the effect that in its opinion, based on site observations and submissions by the Contractor, the construction or renovation of the Improvements to the date thereof was performed in a good and workmanlike manner and in accordance with the Plans and Specifications, stating the estimated total cost of construction or renovation of the Improvements, stating the percentage of in-place construction or renovation of the Improvements, and stating that the remaining non-disbursed portion of the Project Fund and **Required Equity Funds** allocated for such purpose in the Development Budget is adequate to complete the construction or renovation of the Improvements;

7. Contracts. Evidence that one hundred percent (100%) of the cost of the remaining Work is covered by firm fixed price or guaranteed maximum price contracts or subcontracts, or orders for the supplying of materials, with contractors, subcontractors, materialmen or suppliers satisfactory to the Bondholder Representative, and that Payment and Performance Bonds have been obtained, as required.

8. Mechanics’ Liens. The Bondholder Representative may withhold or refuse to fund any advance hereunder if any mechanic’s lien has been filed or recorded and not bonded over or otherwise collateralized to the satisfaction of the Bondholder Representative, or if notice of intention to record or file any such lien has been received.

9. Required Equity Funds. All installments of Required Equity Funds which shall be then due and payable under the **[Operating Agreement]** shall have been deposited with the Trustee.

10. Release of Retainage. In addition to the conditions set forth in this Section, the Bondholder Representative’s obligation to authorize any advance of Retainage shall be subject to receipt by the Bondholder Representative of evidence of Final Completion.

SCHEDULE 8 FORM OF COMPLETION CERTIFICATE

[_____ 1, 2023]

U.S. Bank Trust Company, National Association, as Trustee
60 Livingston Avenue, Third Floor
EP-MN-WS3C
St. Paul, Minnesota 55107

[BONDHOLDER REPRESENTATIVE], as Bondholder Representative
[BONDHOLDER REPRESENTATIVE ADDRESS]

Re: Construction of Moon Plaza, 169 units in Fridley , Minnesota (the “Project”) by
Roers Fridley Apartments Owner II LLC (“Borrower”).

Ladies and Gentlemen:

The undersigned, being the owner of the Project, hereby certifies to U.S. Bank Trust Company, National Association as trustee (the “Trustee”), and **[BONDHOLDER REPRESENTATIVE]**, as Bondholder Representative, that “Final Completion” of the Project (as defined in the Indenture of Trust dated as of [_____ 1, 2023] (the “Indenture”) by and between the Trustee and the Issuer) has been attained as of the date hereof and all conditions relating thereto as set forth in the Loan Agreement dated as of [_____ 1, 2023] by and between the undersigned (the “Loan Agreement”) have been satisfied. Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Indenture.

The undersigned hereby represents and warrants that:

1. Attached hereto is an original, executed Architect’s certificate as required by clause (iv) of the definition of “Final Completion” contained in the Indenture.
2. Attached hereto are true, complete and correct copies of all use and occupancy permits issued in connection with the Project (the “Permits”) as referenced in clause (ii) of the definition of “Final Completion” contained in the Indenture. The Permits are all of the permits, licenses or approvals required for the occupancy of the Project as a multifamily residential facility. No appeal, action or proceeding challenging any of the Permits has been filed; there is no pending claim, litigation or governmental proceeding challenging the Permits.
3. Attached hereto is a complete schedule of all Punchlist Items referenced in clause (ii) of the definition of “Final Completion” contained in the Indenture. This schedule of Punchlist Items meets the requirements and limitations set forth in the definition of “Final Completion” for Punchlist Items. The undersigned will promptly complete all Punchlist Items.
4. Attached are lien waivers required by clause (vii) of the definition of “Final Completion” contained in the Indenture.

Sch 8-1

5. Attached hereto are endorsements down dating the Title Policy insuring the Mortgage in favor of the Trustee subject only to Permitted Encumbrances, and access endorsements to such title policies, as required by clause (ix) of the definition of "Final Completion" contained in the Indenture.

6. Attached hereto is an as-built ALTA/NSPS Urban Class Survey, certified to the Trustee, the Bondholder Representative and meeting the requirements of clause (ix) of the definition of "Final Completion" contained in the Indenture.

7. Attached hereto is evidence of insurance meeting the requirements of Section 6.4 of the Loan Agreement.

8. Attached hereto is evidence of payment of all Impositions which are due and payable.

**ROERS FRIDLEY APARTMENTS OWNER II
LLC,**

a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member II
LLC,

a Minnesota limited liability company

Its: Managing Member

By: _____

Its: _____

Accepted and agreed to by:

[BONDHOLDER REPRESENTATIVE],
as Bondholder Representative

By: _____

Name: _____

Title: _____

Sch 8-2

Schedule of Attachments to Completion Certificate

Architect's Completion Certificate

Occupancy Permits

Schedule of Punchlist Items

Lien Waivers

Endorsement to Title Policy

As-Built Survey

Insurance Certificates

Evidence of Payment of Impositions

Sch 8-3

**SCHEDULE 9
FORM OF USE OF PROCEEDS CERTIFICATE**

[_____, 20__]

U.S. Bank Trust Company, National Association, as Trustee
60 Livingston Avenue, Third Floor
EP-MN-WS3C
St. Paul, Minnesota 55107

[BONDHOLDER REPRESENTATIVE], as Bondholder Representative
[BONDHOLDER REPRESENTATIVE ADDRESS]

Re: Moon Plaza (the “Project”)

Ladies and Gentlemen:

The undersigned, being the owner of the Project hereby certifies to U.S. Bank Trust Company, National Association as trustee (the “Trustee”), and **[BONDHOLDER REPRESENTATIVE]**, as Bondholder Representative, that no less than 95% of the Net Proceeds of the Bonds has been spent for Qualified Project Costs of the Project as required by Section 142(a) of the Internal Revenue Code. Attached hereto is a schedule of expenditures showing all costs of the Project, the amounts expended for each category of cost, the source of funds therefor, and a calculation of the percentage of the net proceeds of the Series 2023A Bonds expended in compliance with the requirements of the Internal Revenue Code. Capitalized terms used herein and not defined shall have the meanings ascribed to such terms in the Indenture of Trust dated as of [_____] 1, 2023] between the Trustee and the City of Fridley, Minnesota .

[REMINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

Sch 9-1

WITNESS WHEREOF, the undersigned has duly executed this Use of Proceeds Compliance Certificate as of the day and year first above written.

ROERS FRIDLEY APARTMENTS OWNER II LLC,
a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member II LLC,

a Minnesota limited liability company

Its: Managing Member

By: _____

Its: _____

Sch 9-2

Schedule of Attachments to Use of Proceeds Compliance Certificate

Evidence of Use of Proceeds

Sch 9-3

SCHEDULE 10
FORM OF STABILIZATION CERTIFICATE

[_____, 20____]

U.S. Bank Trust Company, National Association, as Trustee
 60 Livingston Avenue, Third Floor
 EP-MN-WS3C
 St. Paul, Minnesota 55107

[BONDHOLDER REPRESENTATIVE], as Bondholder Representative
[BONDHOLDER REPRESENTATIVE ADDRESS]

Re: Moon Plaza (the “Project”)

Ladies and Gentlemen:

The undersigned, being the owner of the Project, hereby certifies to U.S. Bank Trust Company, National Association as trustee (the “Trustee”), and **[BONDHOLDER REPRESENTATIVE]**, as Bondholder Representative, that the date of Final Completion was **[FINAL COMPLETION DATE]** and:

The undersigned hereby represents and warrants that:

1. The Improvements have been [at least 90]% occupied by qualified tenants meeting the requirements of the Bond Documents in each of the prior three (3) consecutive months.
2. The ratio of Stabilized NOI in each of the prior three (3) consecutive months to maximum principal, interest, Issuer fees and Trustee fees payable in any month (other than the month in which the Maturity Date occurs) on the amount of Series 2023A Bonds Outstanding equals or exceed 1.15 to 1.0. **[To be revised when terms of Series C Bonds provided.]**
3. No Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default has occurred and be continuing under the Bond Documents, the Managing Member Pledge, the Developer Fee Pledge or the Guarantor Documents.
4. The amount on deposit in the Operating Reserve Fund is no less than the Operating Reserve Fund Requirement.
5. The Borrower has at all times been and is currently in compliance with all requirements set forth in the Land Use Restriction Agreement.

Sch 10-1

6. [The **[Series 2023B]** Bonds have been redeemed in part in accordance with the provisions of Section 2.12(c) of the Indenture.]

7. The Borrower has deposited \$**[TAX INSURANCE ESCROW FUND DEPOSIT]** into the Tax and Insurance Escrow Fund, as required by Section 8.2(a) of the Loan Agreement.

8. Stabilization has not occurred.

9. Attached hereto is showing the calculation of Stabilization.

Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Indenture of Trust dated as of [_____ 1, 2023] between the Trustee and the City of Fridley, Minnesota .

ROERS FRIDLEY APARTMENTS OWNER II LLC,
a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member II LLC,

a Minnesota limited liability company

Its: Managing Member

By: _____

Its: _____

Accepted and agreed to by:

[BONDHOLDER REPRESENTATIVE],
as Bondholder Representative

By: _____
Name: _____
Title: _____

Sch 10-2

Stabilization Spreadsheet

Sch 10-3

SCHEDULE 11
ANNUAL EXPENSES

Sch 11-1

SCHEDULE 12
FREDDIE MAC RADON TESTING PROTOCOL

Sch 12-1

SCHEDULE 13

INITIAL INSURANCE REQUIREMENTS

The Project must be continuously covered by acceptable property insurance policies meeting the minimum requirements described below. This is a general outline of the insurance coverages required by the Bondholder Representative, additional coverage may be required at the Bondholder Representative's discretion.

The named insured in each policy must be the Borrower and the Trustee.

All policies must be written on a per occurrence basis except for boiler and machinery which may be written on a per-accident basis. Each policy must have a cancellation provision requiring the carrier to notify the Trustee and the Bondholder Representative at least 30 days in advance of any policy reduction or cancellation for any reason.

Use of an Acord form 28, 27 or other form are acceptable as temporary evidence of coverage provided the form states "This is evidence that insurance as identified below has been issued, is in force, and conveys all the rights and privileges afforded under the policy" and uses a cancellation clause section "Should the policy be terminated, the company will give the additional interest identified below 30 days written notice, and will send notification of any changes to the policy that would affect that interest, in accordance with the policy provisions or as required by law" Use of an Acord form stating "...matter of information only..." and "...the issuing insurer will endeavor to mail notice..." are unacceptable.

Blanket Insurance policies are acceptable but must comply with certain requirements. Please see the Blanket Insurance section for details on page S13-15.

Terrorism coverage is required for property and general liability and excess/umbrella coverage unless the Bondholder Representative grants prior written waiver and must meet the same requirements under the property, general liability and excess/umbrella coverage requirements provided in the sections following.

Each Policy must be for a term of not less than one year. All existing or new policies must be paid in full and cannot be financed.

Carrier Rating Requirement

Each insurance carrier providing property damage and/or liability insurance, whether admitted or non-admitted, must fall into one of the acceptable Financial Size Categories and meet the applicable minimum Financial Strength Rating for A.M. Best and, if the aggregate carrier exposure is greater than \$25 million, the minimum rating from one of the following: Fitch, Inc. Standard & Poor's Rating Services, or Moody's Investors Service. Details are in the chart below:

Aggregate Carrier Exposure	Minimum A.M. Best Financial Strength Rating	AND	Minimum A.M. Best Financial Size Category	AND	Minimum Rating from Fitch Inc., Standard & Poor's Rating Services, or Moody's
Less than \$5 million	A-	AND	VII	N/A	Not applicable
Greater than \$5 million & Less than \$25 million	A-	AND	VIII	N/A	Not applicable
Greater than \$25 million	A-	AND	IX	AND	A- or its equivalent by Fitch Inc. A- or its equivalent by Standard & Poor's Ratings Services A3 or its equivalent by Moody's Investors Service Inc.

Standard insurance carrier rating requirements and minimum financial size categories are based on the aggregate carrier exposure, which is defined in the chart below.

Aggregate Carrier Exposure (for each individual carrier)

Property Damage (“All Risk”) Insurance

Insurance Type		
Property damage insurance	Specific Insurance or policy for one property	Required building coverage limits + required Business Income/Rental Value Insurance
	Blanket Insurance or master program from one carrier	Blanket Insurance or master program limit
	An individual policy, Blanket Insurance or master program with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates
Liability Insurance	Specific Insurance or policy for one Property	Total aggregate limits (general liability + excess/umbrella)
	Liability insurance for multiple properties, or master program from one carrier	Total aggregate limits (general liability + excess/umbrella)
	An individual policy, liability insurance policy for multiple properties or master program with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates
What’s Required?	“All Risk” or Cause of Loss-Special Form which includes an agreed value clause or no-coinsurance provision and inflation guard endorsement (where available).	
When Does it Apply?	All property types.	
<u>Maximum Deductible</u>	Replacement Cost	Maximum Deductible*
	Less than \$10 million	\$50,000
<u>Maximum Deductible for Blanket Insurance</u>	Equal to or greater than \$10 million	\$75,000
	Aggregate Replacement Cost of the covered properties	Maximum Per Occurrence Deductible*
	Equal to or less than \$5 million	\$50,000

Sch 13-4

	Greater than \$5 million but less than \$7.5 million	\$75,000
	Greater than \$7.5 million	One percent of the aggregate Replacement Cost of the covered properties, to a maximum deductible of \$250,000
Amount of Coverage	100% Replacement cost coverage. Replacement cost must be certified annually. The most common resources to determine the estimated replacement cost of the property may include one of the following resources: Insurance Company-the replacement cost estimate provided by the insurance company that has underwritten or will underwrite the property damage insurance. Appraiser-a qualified commercial real estate appraiser experienced in the market Contractor-reputable commercial contractor with experience constructing and/or reconstructing properties in the area similar for the Project Third Party Vendor-a third party vendor that specializes in replacement cost calculations or publishes data used for this purpose	
* A higher deductible may be available if certain qualifications are met. Contact the Bondholder Representative for list of criteria.		

Boiler and Machinery Insurance

What's Required?	Boiler and Machinery Insurance	
When Does it Apply?	Properties with a central HVAC system where steam boilers and/or other pressurized systems are in operation and are regulated by the State where the property is located. The insurance must cover loss or damage from explosion of steam boilers, pressure vessels and/or other steam equipment now or installed at a later date.	
Amount of Coverage	Replacement cost of the building housing the central HVAC system, including the replacement cost of the central HVAC system. If coverage is provided by a different carrier than the property damage policy a joint loss agreement is required by both policies.	
Maximum Deductible	Replacement Cost of the Property	Maximum per occurrence deductible
	Less than \$10 million	\$50,000
	Equal to or greater than \$10 million	\$75,000
Maximum Deductible for Blanket Insurance	Aggregate Replacement Cost of the covered properties	Maximum per occurrence deductible
	Equal to or less than \$5 million	\$50,000
	Greater than \$5 million but less than \$7.5 million	\$75,000
	Greater than \$7.5 million	One percent of the aggregate Replacement Cost of the covered properties to a maximum deductible of \$250,000

Business Income/Rent Loss Coverage

What's Required?	Business Income/Rental Value Insurance, if the business income/rental value insurance is not included in the primary or other property damage policy (for example, it may not be included in the coverage provided by a flood, earthquake, or windpool insurance policy), a separate policy must be obtained to include business income/rental value for such covered losses.	
When Does it Apply?	All property types.	
Amount of Coverage	UPB (unpaid principal balance) and number of stories	Minimum number of months of anticipated gross income
	Mortgages with improvements of 5 stories or more above grade, regardless of UPB	18
	Mortgages with a UPB of \$50 million or greater	18
	All other mortgages	12
Extended Period of Indemnity required	UPB and number of stories	Minimum extended period of indemnity
	Mortgages with improvements of 5 stories or more above grade, regardless of the UPB	90 days
	All other mortgages with a UPB of \$25 million or greater	90 days
	All other mortgages	None required
Maximum Deductible	72 hours	

Earthquake Insurance

What's Required?	Earthquake Insurance
When Does it Apply?	Project located in a seismic zone 3 or 4 with a PML of 20% or greater.
Amount of Coverage	See section regarding Earthquake Insurance page S13-20.
Maximum Deductible	See section regarding Earthquake Insurance page S13-20.

Flood Insurance

What's Required?	Flood Insurance	
When Does it Apply?	Flood insurance is required for Project having improvements located in an area identified as a Special Flood Hazard Area (SFHA).	
Amount of Coverage	100% of the full replacement cost. If 100% of the full replacement cost exceeds NFIP coverage limit, additional flood insurance from another insurer is required. Business Income/Rental Value Insurance is also required.	
Deductible for NFIP coverage	Must comply with NFIP deductible for the type of improvement insured.	
Maximum Deductible for private flood insurance	Property replacement cost Less than \$10 million Equal to or greater than \$10 million	Maximum deductible \$50,000 \$75,000
Maximum Deductible for flood insurance under Blanket Insurance	Aggregate Replacement Cost of the covered properties Equal to or less than \$5 million Greater than \$5 million but less than \$7.5 million Greater than \$7.5 million	Maximum per occurrence deductible \$50,000 \$75,000 One percent of the aggregate Replacement Cost of the covered properties to a maximum deductible of \$250,000

Ordinance and Law Coverage

What's Required?	Ordinance and Law Coverage
When Does it Apply?	All property types that represent nonconforming uses under current building, zoning, or land use laws or ordinances.
Amount of Coverage	1. Loss of Undamaged Portion of the Building-full replacement cost less the damage threshold of the local building ordinance. If threshold is not available, 100% of the full replacement cost of the Project. 2. Demolition Cost-estimated full demolition expense of the single largest building, or 10% of full replacement cost. 3. Increased Cost of Construction-no less than 10% of full replacement cost.
Loss of Income	Business Interruption/Rent Loss must be endorsed to cover income/rent loss arising out of the increased time necessary to repair or rebuild.

Windstorm Coverage

What’s Required?	If the “All Risk” property damage insurance excludes wind-related events, a separate windstorm insurance policy must be obtained meeting the same requirements as the Property Damage (“All Risk”) Insurance. If coverage is provided by a state windpool policy, see State Windpool Policy Requirements on page S13-19.	
When Does it Apply?	Required for all properties.	
Amount of Coverage	100% of replacement cost, either not contain a coinsurance clause or contain a coinsurance clause that is offset or suspended by an Agreed Amount endorsement. If an Agreed Amount endorsement is used the Agreed Amount must be equal to replacement cost.	
For properties in Florida and for all other East Coast and Gulf Coast Properties located within 50 miles of the coast, the maximum deductible per occurrence is 5 percent of the Replacement Cost of the covered properties.		
Maximum Deductible	Property replacement cost Less than \$10 million Equal to or greater than \$10 million	Maximum Deductible \$50,000 \$75,000
Maximum Deductible for Blanket Insurance	Aggregate Replacement Cost of the covered properties Equal to or less than \$5 million Greater than \$5 million but less than \$7.5 million Greater than \$7.5 million	Maximum per occurrence deductible \$50,000 \$75,000 One percent of the aggregate Replacement Cost of the covered properties to a maximum deductible of \$250,000

Sch 13-10

Commercial Liability Insurance

What's Required?	Minimum coverage of \$1 million per occurrence and \$2 million in the annual aggregate in addition to excess/umbrella coverage as indicated below.		
When Does it Apply?	All property types. If a property contains any special hazard that is excluded from the CGL or other liability policy, such as garage operation or swimming pool, supplemental coverage for the hazard must be obtained.		
Maximum Deductible	The maximum deductible or SIR or combined deductible and SIR for all forms of individual liability insurance is \$35,000 per occurrence. The maximum deductible or SIR or combined deductible and SIR for multiple properties is \$50,000 per occurrence.		
Amount of Coverage in the annual aggregate for one property	Number of stories	UPB	Minimum per occurrence and annual aggregate
	1 to 3	Equal to or less than \$3 million	None required
	1 to 7	Greater than \$3 million	\$1 million per story
	8 or more	Greater than \$3 million	\$8 million
Amount of Coverage in the annual aggregate for more than one property	Number of properties covered by the policy	Maximum number of stories in any of the covered properties	Minimum umbrella or excess liability in Millions
	2 to 3	3	\$3
	2 to 3	Greater than 3	\$10
	4 to 5	3	\$5
	4 to 5	Greater than 3	\$12
	6 to 10	3	\$7
	6 to 10	Greater than 3	\$15
	11 to 19	3	\$9

Sch 13-11

	11 to 19	Greater than 3	\$20
	20 or more	3	\$15
	20 or more	Greater than 3	\$30

Sch 13-12

Liability Insurance Requirements for Seniors Housing Properties [To be discussed]

What's Required?	Minimum coverage of \$1 million per occurrence and \$2 million in the annual aggregate in addition to excess/umbrella coverage as indicated below. Policy may be written on a “claims made” or “an occurrence-based” policy. If coverage is changed from a “claims made” policy to an “occurrence-based” policy the Borrower must obtain the prior approval of the Bondholder Representative.	
Assisted Living Residences, Properties with Assisted Living Care, and Properties that provide Skilled Nursing, Alzheimer's Disease or Dementia Care	Number of licensed beds Less than or equal to 100 beds Greater than 100 but less than or equal to 500 Greater than 500 but less than or equal to 1,000 Greater than 1,000	Minimum per claim/occurrence \$1 million \$5 million \$10 million \$25 million
Maximum Deductible	Maximum \$100,000 deductible or Self Insured Retention.	
Additional Insured	Trustee is not to be named as an additional insured on professional liability insurance policies.	

Vehicle Liability Insurance

When Does it Apply?	If the Borrower owns, leases, hires, rents, borrows, uses or has another use on its behalf a vehicle in conjunction with the operation of the Project.
Amount of Coverage	\$1 million per accident.

Cooperative Fidelity Bond/Crime Insurance

What's Required	Maintain fidelity bond/crime insurance coverage for the Co-op's employees, officers and board members.
When Does it Apply?	Cooperative Corporations.
Amount of Coverage	Two times the monthly gross association fee plus reserves or Six times the monthly gross association fee.
Maximum Deductible	\$25,000

Cooperative Directors and Officers Liability Insurance

What's Required	Maintain directors' and officers' liability insurance.
When Does it Apply?	Cooperative Corporations.
Amount of Coverage	\$1 million per occurrence.
Maximum Deductible	\$25,000

Builder's Risk Insurance

What's Required?	Builder's Risk Insurance	
When Does it Apply?	Required for any additions, alternations, rehabilitations, new construction or repairs to the Project during any construction. Amount equal to 100% of contracts and materials. Requirement may be met with either an extension of the standard property damage insurance policy or a separate Builder's Risk policy.	
Amount of coverage	Coverage must be at least 100% of the sum of the contract or contracts and all materials to complete the work. Policy must cover fire and other perils within the scope of a policy known as a "Causes of Loss-Special Form" or "All Risk" policy.	
Maximum Deductible	Replacement Cost of the property Less than \$10 million Equal to or greater than \$10 million	Maximum per occurrence deductible \$50,000 \$75,000
Maximum Deductible for Blanket Insurance	Aggregate Replacement Cost of the covered properties Equal to or less than \$ 5 million Greater than \$5 million but less than \$7.5 million Greater than \$7.5 million	Maximum per occurrence deductible \$50,000 \$75,000 One percent of the aggregate Replacement Cost of the covered properties to a maximum deductible of \$250,000

Sch 13-15

Localized Perils Insurance

What's Required?	Sinkhole, mine subsidence, volcanic eruption or avalanche insurance	
When Does it Apply?	For a property located in an area prone to localized perils, such as sinkhole, mine subsidence, volcanic eruption and avalanche. Sinkholes are particularly common in Florida, mine subsidence may occur in any location where there is, or has been, subterranean mining, but is particularly common in Pennsylvania, Ohio, Illinois and Colorado.	
Amount of Coverage	100% Replacement Cost of the buildings affected by the localized peril	
Maximum Deductible	Replacement Cost of the property Less than \$10 million Equal to or Greater than \$10 million	Maximum per occurrence deductible \$50,000 \$75,000
Maximum Deductible for Blanket Insurance	Aggregate Replacement Cost of the covered properties Equal to or less than \$ 5 million Greater than \$5 million but equal to or less than \$7.5 million Greater than \$7.5 million	Maximum per occurrence deductible \$50,000 \$75,000 One percent of the aggregate Replacement Cost of the covered properties to a maximum deductible of \$250,000

Sewer and Drain Insurance

What's Required?	Sewer and drain backup insurance
When Does it Apply?	If the Project are prone to periodic sewer or drain back-ups caused by ground water, public or private water systems or public sewers external to the Project.
Amount of Coverage and Deductible	Must be consistent with coverage obtained by other lenders in the area.

Sch 13-16

Blanket Insurance Guidelines

Blanket Insurance with related Borrowers

The following are acceptable to determine, support and document that the limits of the blanket insurance policy are appropriate for the insurable value of the Borrower's portfolio:

- ☐ The Borrower has provided a Probable Maximum Loss (PML) analysis that addresses the insurable value/risk of its portfolio.
- ☐ The Borrower has provided a statement of values that identifies whether its portfolio has insurable value concentrated in geographical locations or concentrated with respect to any given insurable peril.

If the Borrower does not provide a PML or a statement of values as indicated above, the Bondholder Representative must determine, support and document that the limit provide by the blanket insurance policy is satisfactory. The Borrower shall submit to the Bondholder Representative a statement of values from, prepared by the Borrower or the insurance company issuing the policy. Such a statement of values should include:

- ☐ The replacement cost and address of each covered property
- ☐ Complete street address for covered properties
- ☐ A list of any properties that are contiguous to other covered properties
- ☐ The number of stories in each covered property
- ☐ Other data relevant to the coverage limits in the blanket insurance policy

In assessing the adequacy of the coverage, the Bondholder Representative shall consider all of the following guidelines to determine if the property damage insurance coverage provided by the blanket insurance policy is adequate for the subject property and the other properties covered by the blanket insurance policy.

The guidelines below apply to all required property damaged overage that is being provided by a blanket insurance policy, including catastrophic perils such as windstorm, windstorm-related perils, named storms, flood and earthquake.

The per occurrence limit of the blanket insurance policy should, at a minimum, cover 40% of the replacement cost of all properties covered by the policy. Depending on the geographically disbursement of the properties, the physical perils in the area, the number of properties covered and/or other risk factors observed, the per occurrence limit may approach 90%. For example, if the policy covers properties with a replacement cost of \$100 million, generally the minimum coverage should be no lower than \$40 million while the per occurrence limit may approach \$90 million if these is high concentration of properties in an area subject to a catastrophic peril.

Sch 13-17

The per occurrence limit of the blanket insurance policy must be no less than the largest replacement cost exposure covered by the limit of the blanket insurance policy. Additional coverage, greater than the largest property, may also be appropriate.

Contiguous properties or properties in close proximity to each other should be covered for at least 90% of the total replacement cost. For example, two \$50 million properties next to each other should, at a minimum, be covered with a per occurrence limit of \$90 million. Properties that are 10 or 20 miles (or more) apart may also be considered to be in close proximity to each other if they are located in an area that is prone to hurricanes or another peril that could impact multiple properties that are miles apart. The definition of “close proximity” varies based on the peril covered. Properties that are contiguous, including those that are across the street from each other, must be considered to be in close proximity for most perils.

If the properties are widely dispersed throughout the country (less than 25% concentration in any one Metropolitan Statistical Area (MSA) and a large percentage of the properties are not subject to high-risk factors such as windstorm, windstorm related perils, named storms, flood damage or other perils, a blanket insurance policy covering 40% to 50% of the replacement cost of all assets may be acceptable.

If the properties are concentrated in one MSA, for example, if 25% or more of the assets are in Kansas City, the coverage should increase to account for the concentration of assets in that MSA plus any risks specific to that MSA (such as tornados). If assets are concentrated in more than one MSA (for example, if 30% of the assets are in Kansas City and 35% percent are in Topeka), coverage should again compensate for those risks (such as tornados) in addition to concentration risk.

The coverage provided by the blanket insurance policy should increase:

- ☐ If the assets are concentrated in a compact MSA, such as New Orleans

Based on the physical perils in a specific geographic region, for example:

- ☐ Properties on the Atlantic and Gulf Coasts are at a high risk of damage from windstorm and/or windstorm perils and/or named storms
- ☐ Properties in New Orleans are at a high risk of flood damage, windstorm and/or wind related perils and/or named storms
- ☐ Properties in southern California are at a high risk from brush fires

Based on the number of covered assets (the greater the number of properties covered by the policy, the lower the percentage of coverage in relation to the replacement cost of all assets, as the risk of loss is more widely dispersed. For example, a blanket insurance policy covering 100 properties will typically have a lower percentage of coverage than a policy covering 50 properties).

The coverage provided by the blanket insurance policy should increase if the Bondholder Representative believes additional coverage is appropriate for the circumstances.

Sch 13-18

In addition, the Borrower may also obtain coverage for the following types of insurance under a limit provided by the blanket insurance policy.

- ☐ Business Income/Rental value insurance
- ☐ Boiler and machinery insurance
- ☐ Ordinance and law insurance

The coverage under these insurance policies must meet the requirements of the other applicable sections.

However, if the coverage is provided with a blanket insurance policy, the Borrower should, at a minimum, have business income/rental value insurance coverage for no less than the per occurrence percentage determined for the property damage insurance above. For example, if the Bondholder Representative determines that a per occurrence limit for property damage insurance of 50% of the replacement cost of all properties covered is appropriate, then the limit for business income/rental value insurance should be no less than 50% of the anticipated gross income for all properties covered.

Blanket Insurance with unrelated Borrowers

Some blanket insurance or master program property damage insurance may be purchased by unrelated borrower, borrower principals, or entities covering unrelated properties. This includes blanket insurance policies that are written for properties and borrowers, borrower principals or entities that are only related through the relationship with the property management company. This is perceived as additional risk in the blanket insurance policies for these properties and requires the Bondholder Representative to carefully analyze these policies to determine if the Project are adequately insured.

We must obtain the following information to help Roers Fridley Apartments Owner II LLC in assessing the adequacy of the property damage insurance provided by this type of blanket insurance policy for unrelated entities:

- ☐ Name and address of the insurance company or companies
- ☐ Carrier ratings of the insurance company or companies
- ☐ The per occurrence limit and any sublimits (plus coverage by layer, if applicable)
- ☐ Address and replacement cost of the Project
- ☐ Address and replacement cost of other properties controlled by the same borrower or borrower principal that are insured under this policy
- ☐ City, state, zip code and replacement cost of all other properties that are covered under the policy
- ☐ Number of stories in each property
- ☐ Per occurrence limit/cap for the policy
- ☐ Deductibles
- ☐ Number of borrowers, borrower principals and entities insured

State Windpool Policy Requirements

Windstorm insurance through a State Windpool

The following requirements in 1, 2 or 3 below must be met if windstorm coverage can only be obtained from a State Windpool:

1. If the policy issued by the State Windpool does not contain a coinsurance clause, the policy must be written with replacement cost coverage in an amount equal to 100% replacement of the replacement cost of the insurable improvements without any deduction for depreciation.
2. If the policy issued by the State Windpool contains a coinsurance clause that is offset or suspended by an agreed amount provision:
 - ☐ The policy must be written with replacement cost coverage in an amount equal to 100% of the replacement cost of the insurable improvements without any deduction for depreciation and
 - ☐ The agreed amount must equal the replacement cost
3. If the policy issued by the State Windpool contains a coinsurance clause that is not offset or suspended by an agreed amount endorsement provision, then all of the following are required:
 - ☐ The policy must be written with replacement cost coverage in an amount equal to 100% of the replacement cost of the insurable improvements without any deduction for depreciation
 - ☐ The replacement cost estimate must meet the requirements for the guide
 - ☐ The replacement cost estimate must be dated within 12 months of the request for coinsurance
 - ☐ The policy must contain a coinsurance clause less than or equal to 90% (such as 70% or 80%)

In addition, the guarantor must sign an additional guaranty of any losses incurred by the Trustee associated with the Borrower's failure to maintain the required windstorm coverage.

If business income/rental value insurance is not included in the State Windpool insurance policy, a separate business income/rental value insurance policy for windstorm coverage must be obtained.

Earthquake Insurance Requirements

Earthquake Insurance

If the Project is located in a Seismic Risk Zone 3 or 4 and the PML is greater than 20% but less than or equal to 40%, earthquake insurance is required. For Project for which earthquake insurance is required, the coverage must be the greater of \$1 million or 150% of the difference between the projected loss for the Project using the actual PML and the projected loss with a 20% PML. A reserve account may be required for certain deductibles based on the Borrower's equity and the maximum deductible.

The Borrower will be required to obtain separate business income/rental value insurance and ordinance and law coverage if earthquake insurance does not provide that coverage for earthquake damage.

For example:

Replacement cost for the property=\$30 million

Actual PML=30%

Minimum required earthquake insurance=\$4.5 million

Replacement Cost X Actual PML	\$30 million X 30%	=	\$9 million
Replacement Cost X 20%	\$30 million X 20%	=	\$6 million
			\$3 million
Difference X 150%	\$3 million X 150%	=	\$4.5 million

Maximum Deductibles

Borrower Equity	Maximum Deductible (a reserve account may be required for certain deductibles)	Reserve Account
Equal to or less than 30%	5% of coverage	Not required
Equal to or less than 30%	10% of coverage	Required for 5% of the coverage amount
Equal to or less than 30%	15% of coverage	Required for 10% of the coverage amount
Greater than 30%	15% of coverage	Not required

Sch 13-22

REGULATORY AGREEMENT

between

CITY OF FRIDLEY, MINNESOTA,
as Issuer

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

and

ROERS FRIDLEY APARTMENTS OWNER II LLC,
as Borrower

Dated as of [_____ 1, 2023]

This instrument drafted by:
Taft Stettinius & Hollister LLP (CJC)
80 South 8th Street, Suite 2200
Minneapolis, Minnesota 55402

TABLE OF CONTENTS

	Page
SECTION 1. DEFINITIONS.....	2
SECTION 2. REPRESENTATIONS BY THE BORROWER	4
SECTION 3. QUALIFIED RESIDENTIAL RENTAL PROJECT	6
SECTION 4. LOW INCOME TENANTS	8
SECTION 5. RESTRICTIONS IMPOSED BY MINNESOTA STATUTES, CHAPTER 474A.....	10
SECTION 6. COVENANTS RUN WITH THE LAND.....	11
SECTION 7. INDEMNIFICATION.....	12
SECTION 8. CONSIDERATION	12
SECTION 9. RELIANCE	12
SECTION 10. SALE OR TRANSFER OF THE PROJECT.....	12
SECTION 11. TERM	13
SECTION 12. BURDEN AND BENEFIT	14
SECTION 13. ENFORCEMENT	14
SECTION 14. THE TRUSTEE AND THE ISSUER.....	15
SECTION 15. AMENDMENT.....	15
SECTION 16. RIGHT OF ACCESS TO THE PROJECT AND RECORDS.....	15
SECTION 17. NO CONFLICT WITH OTHER DOCUMENTS.....	15
SECTION 18. SEVERABILITY	16
SECTION 19. NOTICES.....	16
SECTION 20. GOVERNING LAW.....	17
SECTION 21. PAYMENT OF FEES.....	17
SECTION 22. LIMITED LIABILITY	17
SECTION 23. ACTIONS OF ISSUER	18
SECTION 24. COUNTERPARTS	18
SECTION 25. RECORDING AND FILING	19
SECTION 26. THIRD-PARTY BENEFICIARY	19
EXHIBIT A LEGAL DESCRIPTION OF LAND	A-1
EXHIBIT B-1 FORM OF INITIAL INCOME CERTIFICATION.....	B-1-1
EXHIBIT B-2 FORM OF INCOME RECERTIFICATION	B-2-1
EXHIBIT C CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE	C-1

REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT, dated as of [_____] 1, 2023] (this “Regulatory Agreement”), is made and entered into between the CITY OF FRIDLEY, MINNESOTA, a municipal corporation and political subdivision of the State of Minnesota (the “Issuer”), U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association (the “Trustee”), and ROERS FRIDLEY APARTMENTS OWNER II LLC, a Minnesota limited liability company (the “Borrower”).

RECITALS

The Issuer is authorized to issue bonds or other obligations to provide financing for multifamily housing developments in accordance with the terms of Minnesota Statutes, Chapters 462A, 462C, and 474A, as amended.

For the purpose of providing financing for the acquisition, construction, and equipping of an approximately 250,000 square-foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6257 University Avenue NE in the City of Fridley, Minnesota, (the “Project”), on the real property described on EXHIBIT A attached hereto (the “Land”), funding one or more reserve funds, if necessary, paying interest on the Bonds (defined below) during the construction of the Project, if necessary, and paying the costs of issuing the Bonds, the Issuer has agreed to issue the Bonds.

The Borrower has requested that the Issuer issue its Multifamily Housing Revenue Bonds (Moon Plaza Apartments Project), Series 2023A (the “Bonds”) pursuant to an Indenture of Trust (the “Indenture”) dated as of [_____] 1, 2023] between the Issuer and the Trustee in accordance with Resolution No. 2023-__ adopted by the City Council of the Issuer on June 12, 2023 (the “Resolution”) and a Loan Agreement between the Issuer and the Borrower, dated as of [_____] 1, 2023] (the “Loan Agreement”), to provide funds to provide long-term financing for the Project.

For good and valuable consideration, the Borrower, the Trustee, and the Issuer have determined to enter into this Regulatory Agreement in order to assure compliance with certain requirements of the Code (hereinafter defined) and of the Act (hereinafter defined) applicable to the Project.

NOW, THEREFORE, the Borrower, the Trustee, and the Issuer do hereby impose upon the Project the following covenants, restrictions, charges, and easements, which shall run with the land and shall be binding and a burden upon the Project and all portions thereof, and upon any purchaser, grantee, owner, or lessee of any portion of the Project and any other person or entity having any right, title, or interest therein and upon the respective heirs, executors, administrators, devisees, successors, and assigns of any purchaser, grantee, owner, or lessee of any portion of the Project and any other person or entity having any right, title, or interest therein, for the length of time that this Regulatory Agreement shall be in full force and effect:

Section 1. Definitions. Unless otherwise expressly provided herein or unless the context clearly requires otherwise, the terms defined above shall have the meanings set forth above

and the following terms shall have the respective meanings set forth below for the purposes hereof. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Indenture.

“*Act*” means Minnesota Statutes, Chapters 462A, 462C and 474A, as amended.

“*Adjusted Income*” means the adjusted income of a person (together with the adjusted income of all persons of the age of 18 years or older who intend to reside with such person in one Dwelling Unit), as calculated in the manner prescribed under Section 142(d)(2)(B) of the Code.

“*Bonds*” means the Issuer’s Multifamily Housing Revenue Bonds (Moon Plaza Apartments Project), Series 2023A, issued in the original aggregate principal amount of \$25,837,893.

“*Bond Counsel*” means Taft Stettinius & Hollister LLP, or any other attorney at law or firm of attorneys, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest on bonds and other obligations issued by states and political subdivisions thereof, duly admitted to practice law before the highest court of any state of the United States of America.

“*Borrower*” means Roers Fridley Apartments Owner II LLC, a Minnesota limited liability company, its successors and assigns, to the extent permitted by the Loan Agreement.

“*Certificate of Continuing Program Compliance*” means the document substantially in the form of EXHIBIT C hereto.

“*Code*” means the Internal Revenue Code of 1986, as amended, and all applicable regulations (whether proposed, temporary or final) under the Code and the statutory predecessor of the Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

“*County*” means Anoka County in the State.

“*Dwelling Units*” means the units of multifamily residential rental housing comprising the Project.

“*Event of Default*” has the meaning specified in Section 13 hereof.

“*Functionally Related and Subordinate*” shall mean and include facilities for use by tenants, for example, laundry facilities, parking areas, and recreational facilities, provided that the same is of a character and size commensurate with the character and size of the Project.

“*Housing Act*” means the United States Housing Act of 1937, as amended, codified as 42 U.S.C. Sections 1401 et seq.

“*Issuer*” means the City of Fridley, Minnesota, a municipal corporation and political subdivision of the State.

“*Loan*” means the loan of the proceeds of the Bonds provided by the Issuer to the Borrower pursuant to the Loan Agreement to provide financing for the Project.

“*Loan Agreement*” means the Loan Agreement, dated as of [_____] 1, 2023], between the Issuer and the Borrower, as it may be amended and supplemented from time to time.

“*Low Income Tenants*” means persons or families with Adjusted Income which does not exceed 60% of the Median Income for the Area adjusted for household size. In no event will the occupants of a unit be considered to be Low Income Tenants if all of such occupants are students (as defined in Section 152(f)(2) of the Code), unless the unit is occupied:

(i) by an individual who is (A) a student and receiving assistance under Title IV of the Social Security Act, (B) a student who was previously under the care and placement responsibility of the State agency responsible for administering a plan under Part B or Part E of Title IV of the Social Security Act, or (C) enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar federal, State, or local laws; or

(ii) entirely by full-time students if such students are (A) single parents and their children and such parents are not dependents (as defined in Section 152 of the Code, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of another individual and such children are not dependents (as defined in Section 152 of the Code, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of another individual other than a parent of such children, or (B) married and entitled to file a joint return.

“*Low Income Units*” means the Dwelling Units in the Project designated for occupancy by Low Income Tenants pursuant to Section 4(a) of this Regulatory Agreement.

“*Median Income for the Area*” means the median yearly income for households of an applicable size in the applicable Primary Metropolitan Statistical Area as most recently determined by the Secretary of Housing and Urban Development under Section 8(f)(3) of the Housing Act, or, if such figures are no longer available, the method of calculation is substantially altered, or the programs under Section 8(f) are terminated, the Issuer shall provide the Borrower with another income determination that is reasonably similar to the method used by the Secretary prior to such termination.

“*Project*” has the meaning assigned to such term in the recitals to this Regulatory Agreement.

“*Qualified Project Period*” means the period beginning on the later of the date of issuance of the Bonds and the first day on which 10% of the Dwelling Units in the Project are occupied and ending on the latest of:

(i) the date which is 15 years after the date on which 50% of the Dwelling Units in the Project are occupied;

(ii) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, or

(iii) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates.

“*Regulatory Agreement*” means this Regulatory Agreement, together with any amendments or supplements hereto.

“*Resolution*” means Resolution No. 2023-__, adopted by the City Council of the Issuer on June 12, 2023, authorizing the issuance of the Bonds.

“*Section 474A Penalty*” means the penalty described in Minnesota Statutes, Section 474A.047, subdivision 3, as applied to the Project.

“*State*” means the State of Minnesota.

“*Treasury Regulations*” means the regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time or pursuant to any predecessor statute to the Code.

“*Trustee*” means U.S. Bank Trust Company, National Association, or any successor or assign.

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

Section 2. Representations by the Borrower. The Borrower covenants, represents, and warrants that:

(a) The Borrower is a limited liability company organized and existing under the laws of the State. The Borrower is in good standing in the State and has duly authorized, by proper action, the execution and delivery of this Regulatory Agreement. The Borrower is duly authorized by the laws of the State to transact business in the State and to perform all of its duties hereunder.

(b) Neither the execution and delivery of this Regulatory Agreement or any other document in connection with the financing of the Project, the consummation of the transactions contemplated hereby and thereby nor the fulfillment of or compliance with the terms and conditions hereof and thereof conflicts with or results in a breach of any of the terms, conditions, or provisions of any agreement or instrument to which the Borrower is now a party or by which it is bound or constitutes a default (with due notice or the passage of time or both) under any of the foregoing or results in the creation or imposition of any prohibited lien, charge, or encumbrance whatsoever upon any of the property or assets of the Borrower under the terms of any instrument or agreement to which the Borrower is now a party or by which it is bound.

(c) The execution, delivery, and performance of this Regulatory Agreement and all other documents to be delivered by the Borrower in connection with the consummation of the

transactions contemplated hereby will not conflict with, or constitute a breach of or default under, any indenture, mortgage, deed of trust, lease, commitment, agreement, or other instrument or obligation to which the Borrower is a party or by which the Borrower or any of its property is bound, or under any law, rule, regulation, judgment, order, or decree to which the Borrower is subject or by which the Borrower or any of its property is bound.

(d) To the best of the Borrower's knowledge, there is no action, suit, proceeding, inquiry, or investigation by or before any governmental agency, public board, or body pending or threatened against the Borrower (nor to the best of its knowledge is there any basis therefor), which:

(i) affects or seeks to enjoin, prohibit, or restrain the issuance, sale, or delivery of the Bonds or the use of the proceeds of the Bonds to finance the acquisition, construction, and equipping of the Project or the execution and delivery of this Regulatory Agreement,

(ii) affects or questions the validity or enforceability of the Bonds or this Regulatory Agreement,

(iii) questions the tax exempt status of the Bonds, or

(iv) questions the power or authority of the Borrower to own, acquire, construct, equip, or operate the Project or to execute, deliver, or perform the Borrower's obligations under this Regulatory Agreement.

(e) The Project will be located wholly within the boundaries of the City of Fridley, Minnesota.

(f) As of the date on which the Bonds are executed and delivered to the Trustee, the Borrower will have title to the Land sufficient to carry out the purposes of this Regulatory Agreement, and the Borrower will not transfer its interest in the Land, except as otherwise permitted by this Regulatory Agreement.

(g) The Project consists and will consist of those facilities described herein, which generally are described as a residential apartment building and related facilities situated on the real property described in EXHIBIT A hereto. The Borrower shall make no changes to the Project or to the operation thereof which would affect the qualification of the Project under the Act or impair the exemption from federal income taxation of the interest on the Bonds. The Borrower will utilize and operate the Project as a multifamily rental housing project during the term of the Bonds in accordance with all applicable federal, State, and local laws, rules, and regulations applicable to the Project.

(h) The Borrower has obtained, or will obtain on or before the date required therefor, all necessary certificates, approvals, permits, and authorizations with respect to the operation of the Project.

(i) The Borrower does not currently own and does not intend to own the Bonds. The Borrower acknowledges and understands that if the Borrower or a "substantial user" of the Project financed with the proceeds of the Bonds or a "related person," as those terms are employed in

Section 147(a) of the Code, owns the Bonds, or any portion thereof, interest on the Bonds during such period of ownership will not be excludable from gross income for federal income tax purposes.

(j) The Borrower does not own any buildings or structures which are proximate to the Project other than those buildings or structures which comprise the Project, which are being financed pursuant to a common plan under which the Project is also being financed.

(k) The statements made in the various certificates delivered by the Borrower to the Issuer or the Trustee on the date of issuance of the Bonds are true and correct.

Section 3. Qualified Residential Rental Project. The Borrower shall acquire, construct, equip, own, manage, and operate the Project as a “qualified residential rental project,” as such phrase is utilized in Section 142(d) of the Code, on a continuous basis during the Qualified Project Period. To that end, the Borrower hereby represents, warrants, and covenants as follows:

(a) that a qualified residential rental project will be acquired and constructed on the property described in EXHIBIT A hereto, and the Borrower shall own, manage and operate the Project as a qualified residential rental project containing Dwelling Units and facilities Functionally Related and Subordinate to such Dwelling Units, in accordance with Section 142(a)(7) and Section 142(d) of the Code and all applicable Treasury Regulations promulgated thereunder, as the same may be amended from time to time;

(b) that all of the Dwelling Units of the Project will be similarly constructed and each Dwelling Unit in the Project will contain complete facilities for living, sleeping, eating, cooking, and sanitation for a single person or a family;

(c) that:

(i) none of the Dwelling Units in the Project shall at any time in the future be utilized on a transient basis;

(ii) that none of the Dwelling Units in the Project shall at any time in the future be leased or rented for a period of less than 30 days; and

(iii) that neither the Project nor any portion thereof shall be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home, or trailer park or trailer court for use on a transient basis, or by a cooperative housing corporation (as defined in Section 216(b)(1) of the Code);

(d) that once available for occupancy:

(i) each Dwelling Unit in the Project must be rented or available for rental on a continuous basis to members of the general public during the Qualified Project Period; and

(ii) the Borrower shall not give preference in renting Dwelling Units in the Project to any particular class or group of persons, other than Low Income Tenants as provided herein or as otherwise permitted by law;

(e) that the Dwelling Units in the Project shall be leased and rented to members of the general public in compliance with this Regulatory Agreement, except for any Dwelling Unit for a resident manager or maintenance personnel;

(f) that the Project consists of one or more discrete edifices and other man made construction, each consisting of an independent foundation, outer walls and roof, all of which will be (i) owned by the same person for federal tax purposes, (ii) located on a common tract of land or two or more parcels of land which are contiguous except for being separated only by a road, street, stream, or a similar property and (iii) financed by the Loan or otherwise pursuant to a common plan of financing, and which consists entirely of:

(i) units which are similar in quality and type of construction and amenities;
and

(ii) property Functionally Related and Subordinate in purpose and size to the Project, e.g., parking areas, laundries, swimming pools, tennis courts, and other recreational facilities (none of which may be unavailable to any person because such person is a Low Income Tenant) and other facilities which are reasonably required for the Project, e.g., heating and cooling equipment, trash disposal equipment, or units for residential managers or maintenance personnel;

(g) that no portion of the Project shall be used to provide any health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(h) that the Project shall not include a Dwelling Unit in a building where all Dwelling Units in such building are not also included in the Project;

(i) that the Borrower shall not convert the Project to condominium or cooperative ownership;

(j) that no Dwelling Unit in the Project shall be occupied by any partner of the Borrower (or any person related to a partner of the Borrower or to any related person to the Borrower within the meaning of Section 147(a)(2) of the Code) at any time unless such person resides in a Dwelling Unit in a building or structure which contains at least five Dwelling Units and unless the resident of such Dwelling Unit is a resident manager or other necessary employee (e.g., maintenance and security personnel);

(k) that the Bonds will not be “federally guaranteed,” as defined in Section 149(b) of the Code;

(l) that the Project shall at all times be used and operated as a “multifamily housing development,” as defined in the Act; and

(m) that the Borrower shall not discriminate on the basis of race, creed, color, sex, sexual preference, source of income (e.g., AFDC or SSI), physical disability, national origin, or marital status in the rental, lease, use, or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

Section 4. Low Income Tenants. Pursuant to the requirements of the Act and Section 142(d) of the Code, the Borrower hereby represents, warrants, and covenants as follows:

(a) Upon completion of the Project, at least 40% of the units in the Project will be occupied or held for occupancy by Low Income Tenants. Throughout the Qualified Project Period, not less than 40% of the completed units in the Project shall be continuously occupied or held for occupancy by Low Income Tenants. The Borrower will designate the Low Income Units and will make any revisions to such designations as necessary to comply with the applicable provisions of the Code and the Treasury Regulations. As set forth in paragraph (e) below, the Borrower shall advise the Issuer and the Trustee by delivery of a certificate in writing of the status of the occupancy of the Project with respect to Low Income Tenants on an annual basis for the term of this Regulatory Agreement. An Annual Certification of a Residential Rental Project, Form 8703 (Rev. December 2021), or successor form, shall be prepared annually by the Borrower and filed with the United States Secretary of the Treasury pursuant to Section 142(d)(7) of the Code (currently with the Internal Revenue Service Center, Ogden, Utah 84201), with a copy to be filed by the Borrower with the Issuer and, upon request, the Trustee. The percentage of units is measured by number of units, and not square footage of units.

For purposes of satisfying the occupancy requirements set forth above, a unit occupied by a person or family who at the commencement of their occupancy qualified as a Low Income Tenant shall be treated as occupied by a Low Income Tenant until such time as any recertification of such tenant's income in accordance with subsections (c) and (h) below demonstrates that such tenant's income exceeds 140% of the income limitation applicable to Low Income Tenants or the tenant vacates the unit.

A unit occupied by a Low Income Tenant shall be deemed, upon the termination of such tenant's occupancy, to be continuously occupied by a Low Income Tenant until reoccupied, other than for a temporary period (not to exceed 60 days), at which time the character of the unit shall be redetermined.

(b) The Borrower will notify the Issuer on an annual basis of any vacancy of any Low Income Units.

(c) The Borrower will obtain, complete, and maintain on file income certifications from each Low Income Tenant, obtained immediately prior to the initial occupancy of such tenant in the Project, and thereafter re-obtain in any year in which a unit in the Project is occupied by a new resident whose income exceeds the applicable income limit, income certifications (based upon their then current income), from each Low Income Tenant, substantially in the form of the income certification set forth in the attached EXHIBIT B-1 for initial certifications and EXHIBIT B-2 for recertifications or another form approved by Bond Counsel (each, an "Income Certification") and will provide such additional information as may be required by Section 142(d) of the Code, as the

same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Treasury Regulations now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service applicable to the Bonds. Such Income Certification shall be obtained prior to initial occupancy. If requested by the Trustee or Issuer, a copy of such Income Certification shall be filed with the Trustee and the Issuer prior to occupancy by the tenant whenever possible but in no event more than one month after initial occupancy by the tenant. A copy of each re-certification of income shall be attached to each report filed with the Issuer and the Trustee pursuant to Section 4(a) above. The Borrower shall make a good-faith effort to verify that the income reported by an applicant in an income certification is accurate by taking at least one of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) conduct a credit or similar search, (4) obtain an income verification form from the applicant's current employer, (5) obtain an income verification form from the Social Security Administration if the applicant receives assistance from such agency, or (6) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. If the Low Income Tenant is a Section 8 Certificate Holder, the Borrower shall retain a copy of the certificate or voucher for verification of income in lieu of an income verification.

The Borrower understands that failure to file the Annual Certification of a Residential Rental Project, Form 8703 (Rev. December 2021), or successor form, as required by Section 142(d)(7) of the Code at the times stated therein may subject it to the penalty described in Section 6652(j) of the Code.

(d) The Borrower will maintain complete and accurate records pertaining to the Low Income Units and will permit, upon reasonable prior notice, any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury, or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units. This section is not intended to create any additional duties to inspect records.

(e) The Borrower will prepare and submit to the Issuer and the Trustee, on or before July 1 of each year during the Qualified Project Period, beginning the first July 1 following commencement of the Qualified Project Period, a Continuing Program Compliance Certificate in the form of EXHIBIT C attached hereto and executed by the Borrower, and, if requested by the Trustee or Issuer the Income Certifications described in Section 4(c) above. The Trustee shall solely rely on the Continuing Program Compliance Certificate delivered hereunder as evidence of compliance by the Borrower with this Regulatory Agreement.

(f) The Borrower, upon becoming aware of an Event of Default, will notify the Issuer, and a Responsible Officer of the Trustee, in writing, of the occurrence of any such Event of Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. Such notice shall be given promptly and in no event longer than 10 Business Days after the Borrower receives notice or gains knowledge of the occurrence of any such event. The Borrower further agrees that it will give prompt written notice to a Responsible Officer of the Trustee if insurance proceeds or

condemnation awards in excess of \$50,000 are received with respect to the Project and are not used to repair or replace the Project, which notice shall state the amount of such proceeds or award.

(i) Except as provided in (ii) below, the Borrower shall accept as tenants on the same basis as all other prospective tenants Low Income Tenants who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the Housing Act or its successor and shall not apply selection criteria to Section 8 certificate/voucher holders that are more burdensome than the criteria applied to all other prospective tenants.

(ii) The Borrower agrees to modify the leases for units in the Project as necessary to allow the rental of Low Income Units to Section 8 certificate/voucher holders.

(g) Each lease pertaining to a Low Income Unit shall contain a provision to the effect that the Borrower has relied on the income certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease.

(h) Throughout the Qualified Project Period, the Borrower shall re-certify each Low Income Tenant's income on or before the anniversary of the Low Income Tenant's tenancy, in any year in which a unit in the Project is occupied by a new resident whose income exceeds the applicable income limit, by obtaining a completed Income Certification. In the event the re-certification demonstrates that any such tenant's household income exceeds 140% of the applicable income limit, the Borrower shall hold the next available unit or units of comparable or smaller size in the Project available for rental by new Low Income Tenants.

The Borrower in its sole discretion may notify, in writing, each tenant who is no longer a Low Income Tenant of such fact, and that the rent of such tenant(s) is subject to increase 30 days after receipt of such notice. The Borrower shall be entitled to so increase any such tenant's rent only if Borrower complies with any law applicable thereto and only after the Borrower has rented the next available unit or units in the Project on a one-for-one basis to a Low Income Tenant, or holds units vacant and available for occupancy by Low Income Tenants.

The Borrower agrees to inform all prospective Low Income Tenants of the requirements for re-certification of income and of the provisions of the preceding paragraph.

Section 5. Restrictions Imposed by Minnesota Statutes, Chapter 474A. Because the Bonds are issued by the Issuer as a residential rental project bond, as defined in Minnesota Statutes, Chapter 474A, as amended ("Chapter 474A"), and the Issuer has received an allocation of tax exempt bonding authority pursuant to applicable provisions of Chapter 474A, the restrictions imposed by Chapter 474A apply to the Project as described below.

(a) In addition to any other restrictions on rent or the income of tenants set forth in this Regulatory Agreement, during the Qualified Project Period, the Borrower shall restrict rents on at least 20% of the units in the Project (which may consist of the same units as meet the requirements of Section 4) to an amount not exceeding the area fair market rents or exception fair market rents, as applicable, for existing housing as established by the federal Department of Housing and Urban

Development from time to time, which units shall be occupied, or held for occupancy, by Low Income Tenants. The rental rates of units in a residential rental project for which rental assistance payments are made are deemed to be within the rent limitations of this clause if the amount paid by the tenants is less than the fair market rents.

(b) The annual certifications required to be made by the Borrower hereunder shall conform to the requirements of Section 474A.047, subdivision 3, and the Issuer shall have the authority to impose upon the Borrower any and all penalties described in Section 474A.047, subdivision 3, from time to time, in addition to any remedies otherwise available under this Regulatory Agreement.

(c) The Borrower must satisfy the requirements of Section 474A.047, subdivision 1(a), during the Qualified Project Period. The Borrower must annually certify to the Issuer over the term of this Regulatory Agreement that the rental rates for the rent-restricted units are within the limitations under Section 474A.047, subdivision 1(a), of Chapter 474A. The Issuer may request individual certification of the income of residents of the income-restricted units. The Commissioner of Minnesota Management and Budget may request from the Issuer a copy of the annual certification prepared by the Borrower. The Commissioner of Minnesota Management and Budget may require the Issuer to request individual certification of all residents of the income-restricted units.

(d) Upon completion of the Project, (1) 100% of the residential units in the Project will be eligible for low income housing tax credits under Section 42 of the Code; and (2) all of the residential units of the Project: (x) will be rent-restricted in accordance with Section 42(g)(2) of the Code and (y) will be subject to rent and income restrictions for a period of not less than 30 years.

Section 6. Covenants Run with the Land. The Borrower hereby declares its express intent that the covenants, restrictions, charges, and easements set forth herein shall be deemed covenants running with the Land and shall, except as otherwise provided in this Regulatory Agreement, pass to and be binding upon the Borrower's successors in title including any purchaser, grantee, owner, or lessee of any portion of the Project and any other person or entity having any right, title, or interest therein and upon the respective heirs, executors, administrators, devisees, successors, and assigns of any purchaser, grantee, owner, or lessee of any portion of the Project and any other person or entity having any right, title, or interest therein. Except as otherwise provided in this Regulatory Agreement, each and every contract, deed, or other instrument hereafter executed covering or conveying the Project or any portion thereof or interest therein shall contain an express provision making such conveyance subject to the covenants, restrictions, charges, and easements contained herein; provided, however, that any such contract, deed, or other instrument shall conclusively be held to have been executed, delivered, and accepted subject to such covenants, regardless of whether or not such covenants are set forth or incorporated by reference in such contract, deed, or other instrument.

Section 7. Indemnification. The Borrower hereby covenants and agrees that it shall indemnify and hold harmless the Issuer and its officers, agents, and employees (the "Indemnified Parties") and the Trustee and its officers, agents, members, directors, officials, and employees as provided in the Loan Agreement. All provisions of the Loan Agreement relating to

indemnification are incorporated by reference herein and are considered provisions of this Regulatory Agreement, as if expressly set out herein. These provisions shall survive the payment of the Bonds and termination of this Regulatory Agreement.

Section 8. Consideration. The Issuer has issued the Bonds in part to provide funds to make the Loan to finance the acquisition, construction, and equipping of the Project all for the purpose, among others, of inducing the Borrower to acquire, construct, equip, and operate the Project. In consideration of the issuance of the Bonds by the Issuer, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which the Project can be put on the terms and conditions set forth herein.

Section 9. Reliance. The Issuer and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds and in the exemption from federal income taxation of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer and the Trustee may conclusively rely upon statements and certificates of the Borrower and the tenants and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the Trustee hereunder in good faith and in conformity with such opinion. A copy of any such opinion, if in writing, shall be furnished by the Issuer or the Trustee to the Borrower and Trustee upon written request. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Trustee shall not be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any notice or certificate delivered to the Trustee by the Borrower or the Issuer with respect to the occurrence or absence of a default unless it knows, or in the exercise of reasonable care should have known, that the notice or certificate is erroneous or misleading.

The Trustee shall be under no duty to make any investigation or inquiry as to any statements or other matters contained or referred to in any documents or any instruments delivered to it in accordance with this Regulatory Agreement, but it may receive and accept the same as conclusive evidence of the truth and accuracy of such statements.

Section 10. Sale or Transfer of the Project. The Borrower hereby covenants and agrees not to sell, transfer, or otherwise dispose of the Project, or any portion thereof, except as permitted under the terms of the Loan Agreement. Any attempted sale, transfer, or disposition which would cause or result in the violation of any of these covenants, provisions, reservations, restrictions, charges, or easements shall be null and void ab initio and of no force and effect. Nothing herein shall prohibit the transfer, sale, or assignment of the interests in the Borrower or any direct or indirect ownership interests in the Borrower's partners, except as may be prohibited under the Loan Agreement.

Section 11. Term. This Regulatory Agreement and the terms hereof shall become effective upon its execution and delivery and shall remain in full force and effect for a term and period equal to the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds and termination of the Loan

Agreement and the Loan if the Qualified Project Period has not expired at the time of such retirement and expiration. Notwithstanding anything in this Regulatory Agreement to the contrary:

(a) The Project may be transferred pursuant to a foreclosure, exercise of power of sale, or deed in lieu of foreclosure, or comparable proceedings under a mortgage or similar instrument without the consent of or fee of any kind payable to the Issuer or compliance with the provisions of this Regulatory Agreement. In connection with any such foreclosure, deed in lieu of foreclosure, or other proceedings, this Regulatory Agreement shall be terminated upon completion of the foreclosure and expiration of the applicable redemption period, or recording of a deed in lieu of foreclosure.

(b) The requirements of this Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire or other casualty, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law, or an action of a federal agency after the date of this Regulatory Agreement, which prevents the Issuer and the Trustee from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof (this shall be deemed met if the Bonds have been previously retired); provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure, or the delivery of a deed in lieu of foreclosure, or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure, or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes.

(c) This Regulatory Agreement, or any of the provisions or sections hereof, may be terminated upon agreement by the Issuer and the Borrower upon receipt of an opinion of Bond Counsel to the effect that such termination will not cause interest on the Bonds to become included in gross income for federal income tax purposes or cause interest on the Bonds to become included in the net taxable income of individuals, trusts, and estates for State income tax purposes.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver, and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 12. Burden and Benefit. The Issuer and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the Land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Issuer and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the Land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations, and restrictions, and by furthering the public purposes for which the Bonds were issued. Notwithstanding the foregoing, the Low Income Tenants are not intended to be third party

beneficiaries of this Regulatory Agreement and shall have no rights to enforce any provision herein.

Section 13. Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement, or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof shall have been given by the Issuer or the Trustee to the Borrower, then the Issuer or the Trustee, pursuant to the Indenture, may declare an “Event of Default” to have occurred hereunder and, at its option, may take any one or more of the following steps:

- (a) by mandamus or other suit, action, or proceeding at law or in equity require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;
- (b) have access to and inspect, examine, and make copies of all the books and records of the Borrower pertaining to the Project;
- (c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants, and agreements of the Borrower hereunder; or
- (d) with the Trustee’s consent, declare a default under the Loan, accelerate the indebtedness evidenced by the Loan, and proceed to redeem the Bonds in accordance with their terms.

Notwithstanding anything to the contrary contained herein, the Issuer and the Trustee hereby agree that any cure of any default made or tendered by one or more of the Borrower’s members shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

All fees, costs, and expenses of the Trustee or the Issuer incurred in taking any action pursuant to this Section 13 shall be the sole responsibility of the Borrower and shall be paid to the Trustee or the Issuer, as the case may be, on demand.

After the Bonds have been discharged, the Issuer may act on its own behalf to declare an “Event of Default” to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Trustee.

Section 14. The Trustee and the Issuer. The Trustee is entering into this Regulatory Agreement in its capacity as the Trustee of the Bonds pursuant to the Indenture and the protections afforded the Trustee therein shall apply to its duties and obligations under this Regulatory Agreement. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Trustee shall not be required to conduct any investigation into or review of the operations or records of the Borrower and, absent actual knowledge of any default or noncompliance, may assume compliance by the Borrower unless otherwise specifically notified in writing. The Issuer may, at all times, assume the Borrower’s compliance with this Regulatory Agreement unless otherwise notified in writing by the Trustee (but the Trustee shall have no obligation to so notify the Issuer), or unless the Issuer has actual knowledge of noncompliance. The Trustee can rely on the accuracy of any certificates, instruments, opinions,

or reports delivered to it by the Borrower. Following the payment in full and the discharge of the Bonds and the termination of the Indenture, if this Regulatory Agreement remains operative: (i) all obligations, rights, and duties of the Trustee under this Regulatory Agreement will terminate and be of no further force and effect; (ii) all actions required by the Trustee will instead be undertaken by the Issuer; (iii) all notices to be delivered to the Trustee will instead be delivered to the Issuer and all notices to be delivered by the Trustee will instead be delivered by the Issuer; and (iv) the Trustee shall no longer be a party to this Regulatory Agreement and shall be considered released from all obligations hereunder and all references herein to the Trustee shall be deemed references to the Issuer.

Section 15. Amendment. The provisions hereof shall not be amended or revised prior to the stated term hereof except by an instrument in writing duly executed by the Issuer, the Trustee, as may be required by the Loan Agreement, the Indenture, and the Borrower, and duly recorded in the same manner as this Regulatory Agreement. The Issuer's and Trustee's consent to any such amendment or revision (whether or not the Bonds shall then be outstanding) shall be given only upon receipt of an opinion of Bond Counsel addressed to the Issuer and Trustee that such amendment or revision will not adversely affect the exemption from federal income taxation of interest on the Bonds. Neither the Issuer nor the Trustee shall have a duty to prepare any such consent, amendment, or revision.

Section 16. Right of Access to the Project and Records. The Borrower agrees that during the term of this Regulatory Agreement, the Issuer, the Trustee, and the duly authorized agents of either of them shall have the right (but not a duty) at all reasonable times, and upon reasonable notice of at least 24 hours, to enter upon the site of the Project during normal business hours to examine and inspect the Project and to have access to the books and records of the Borrower with respect to the Project, a copy of which shall be maintained at the site of the Project.

Section 17. No Conflict with Other Documents. The Borrower warrants that it has not executed and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof.

Section 18. Severability. The invalidity of any clause, part, or provision of this Regulatory Agreement shall not affect the validity of the remaining portions thereof.

Section 19. Notices. All notices to be given pursuant to this Regulatory Agreement shall be in writing and shall be deemed given when sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods or when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing:

To the Issuer:	City of Fridley, Minnesota Fridley City Hall 7071 University Avenue NE Fridley, MN 55117 Attn: City Manager Email: wally.wysopal@fridleymn.gov
----------------	---

To the Trustee: U.S. Bank Trust Company, National Association
 60 Livingston Avenue, Third Floor
 EP-MN-WS3C
 Saint Paul, MN 55107
 Attention: Martha Earley
 Email: martha.earley@usbank.com

To the Borrower: Roers Fridley Apartments Owner II LLC
 c/o Roers Companies
 Two Carlson Parkway N
 Suite 3500
 Plymouth, MN 55447
 Attn: Andy Bollig, Brian Roers, and Lara Page
 Email: andy@roerscompanies.com
brian@roerscompanies.com
lara@roerscompaines.com

With a copy to: Winthrop & Weinstine, PA
 Capella Tower
 225 South 6th Street
 Suite 3500
 Minneapolis, MN 55402
 Attn: Kevin M. McLain
 Email: kmclain@winthrop.com

Section 20. Governing Law. This Regulatory Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State of Minnesota, without regard to its conflicts of laws principles, except as such laws may be preempted by any federal rules, regulations, and laws.

Section 21. Payment of Fees. Notwithstanding payment of the Loan, the termination of the Loan Agreement, and the defeasance or discharge of the Bonds, throughout the term of the Qualified Project Period, the Borrower shall continue to pay:

(a) to the Trustee, its reasonable and customary fees and expenses for reviewing and, if necessary, enforcing compliance by the Borrower with the terms of this Regulatory Agreement;

(b) to the Issuer, reimbursement for all reasonable fees and expenses, including, but not limited to, financial advisory and legal fees and expenses necessary for the Issuer's reviewing and, if necessary, enforcing compliance by the Borrower with the terms of this Regulatory Agreement; and

(c) the fees and expenses of any entity or person designated by the Trustee or Issuer to perform the review of the Borrower's compliance with this Regulatory Agreement; provided that such fees and expenses are not duplicative of any fees and expenses paid under (a) and (b) above.

Section 22. Limited Liability. Notwithstanding anything to the contrary in this Regulatory Agreement, it is understood and agreed by the Borrower and the Trustee that no covenant, provision or agreement of the Issuer herein or in the Bonds or in any other document executed by the Issuer in connection with the issuance, sale and delivery of the Bonds, or any obligation herein or therein imposed upon the Issuer or breach thereof, shall give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers or shall obligate the Issuer financially in any way except with respect to the Loan Agreement and the application of revenues therefrom and the proceeds of the Bonds. No failure of the Issuer to comply with any term, condition, covenant or agreement herein or therein shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charges except to the extent that the same can be paid or recovered from the Loan Agreement or revenues therefrom or proceeds of the Bonds. 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 powers of the Issuer. In making the agreements, provisions and covenants set forth herein, the Issuer has not obligated itself except with respect to the Loan Agreement and the application of revenues thereunder as therein provided. The Bonds constitutes a special, limited obligation of the Issuer, payable solely from the revenues pledged to the payment thereof pursuant to the Loan Agreement and the Related Documents, and do not now and shall never constitute an indebtedness or a loan of the credit of the Issuer, the State of Minnesota or any political subdivision thereof or a charge against the Issuer's general taxing powers within the meaning of any constitutional or statutory provision whatsoever. It is further understood and agreed by the Borrower and the Trustee that the Issuer shall incur no pecuniary or moral liability hereunder and shall not be liable for any expenses related hereto. If, notwithstanding the provisions of this Section, the Issuer incurs any expense, or suffers any losses, claims or damages or incurs any liabilities, the Borrower will indemnify and hold harmless the Issuer from the same and will reimburse the Issuer for any legal or other expenses incurred by the Issuer in relation thereto, and this covenant to indemnify, hold harmless and reimburse the Issuer shall survive delivery of and payment for the Bonds.

Section 23. Actions of Issuer. The Issuer shall be entitled to rely conclusively on an opinion of counsel in the exercise or non-exercise of any of the rights or powers vested in the Issuer by virtue of this Regulatory Agreement or any other agreement or instrument executed in connection with the issuance of the Bonds; it being the intent of the parties hereto that the Issuer, and any and all present and future trustees, members, commissioners, officers, employees, attorneys, and agents of the Issuer shall not incur any financial or pecuniary liability for the exercise or non-exercise of any rights or powers vested in the Issuer by this Regulatory Agreement or any other instrument or agreement executed in connection with the issuance of the Bonds; or for the performance or nonperformance of any obligation under, or the failure to assert any right, power, or privilege under this Regulatory Agreement, the Bonds, the Loan Agreement, or any other instrument or agreement executed in connection with the issuance of the Bonds. If the Issuer's consent or approval is required under this Regulatory Agreement, or any other agreement or instrument executed in connection with the issuance of the Bonds, the Issuer shall be entitled to rely conclusively on an opinion of counsel and shall not be responsible for any loss or damage resulting from any action or inaction in reliance upon such opinion. If the Issuer incurs any

expense, or suffers any losses, claims, or damages, or incurs any liabilities in connection with this Regulatory Agreement, the Issuer shall be indemnified by the Borrower pursuant to Section 7 hereof and in accordance with the Loan Agreement and any exercise or non-exercise of any rights of the Trustee under this Regulatory Agreement shall not create any liability of the Trustee to the Issuer.

Section 24. Counterparts. This Regulatory Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same Regulatory Agreement, and, in making proof of this Regulatory Agreement, it shall not be necessary to produce or account for more than one such counterpart.

Section 25. Recording and Filing. Prior to any advance of the proceeds of the Bonds under Section 2 of the Disbursing Agreement, the Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto to be recorded and filed in the real property records of the County, the State, and in such other places as the Issuer may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

Section 26. Third-Party Beneficiary. The parties to this Regulatory Agreement recognize and agree that the terms of this Regulatory Agreement and the enforcement of those terms are essential to the security of the Trustee and are entered into for the benefit of various parties, including the Trustee. The Trustee shall accordingly have contractual rights in this Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer and/or the Trustee, or to cause the Issuer or the Trustee to enforce, the terms of this Regulatory Agreement. In addition, the Trustee is intended to be and shall be a third-party beneficiary of this Regulatory Agreement.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the parties have caused this Regulatory Agreement to be signed by their respective duly authorized representatives as of the day and year first written above.

CITY OF FRIDLEY, MINNESOTA

By: _____
Its: Mayor

By: _____
Its: City Manager

STATE OF MINNESOTA)
) SS
COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2023, by Scott J. Lund and Walter T. Wysopal, the Mayor and City Manager, respectively, of the City of Fridley, Minnesota, a municipal corporation and a political subdivision under the laws of the State of Minnesota, on behalf of said City.

Notary Public

Execution page of the Issuer to the Regulatory Agreement

S-1

ROERS FRIDLEY APARTMENTS OWNER II
LLC, a Minnesota limited liability company

By: Roers Fridley Apartments Managing
Member II LLC, a Minnesota limited liability
company

Its: Managing Member

By: _____

Name: Tom Cronin

Its: Authorized Signer

STATE OF MINNESOTA)
) SS
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 2023, by Tom Cronin, Authorized Signer of Roers Fridley Apartments Managing Member II LLC, a Minnesota limited liability company and the Managing Member of Roers Fridley Apartments Owner II LLC, a Minnesota limited liability company, on behalf of said limited liability company.

Notary Public

Execution page of the Borrower to the Regulatory Agreement.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION
Trustee

By _____

Its _____

STATE OF MINNESOTA)
) SS
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____,
2023, by _____, the _____ of U.S. Bank Trust Company, National Association, a
national banking association, on behalf of the national banking association.

Notary Public

Execution page of the Trustee to the Regulatory Agreement.

EXHIBIT A
LEGAL DESCRIPTION OF LAND

The Land described in this Regulatory Agreement is located in Anoka County, Minnesota, and is legally described as follows:

EXHIBIT B-1
FORM OF INITIAL INCOME CERTIFICATION

TENANT INCOME CERTIFICATION

Effective Date: _____

Move-in Date: _____

☐ Initial Certification ☐ Recertification ☐ Other* _____

PART I. DEVELOPMENT DATA

Property Name: _____	County: _____	BIN #: _____
Address: _____	Unit Number: _____	# Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A)	(B)	(C)	(D)
	Employment or Wages	Soc. Security / Pensions	Public Assistance	Other Income
TOTALS				
Add totals from (A) through (D) above			TOTAL INCOME (E):	

PART IV. INCOME FROM ASSETS

HH Mbr #	(F)	(G)	(H)	(I)
	Type of Asset	C/I	Cash Value of Asset	Annual Income from Asset

TOTALS: \$

Total Cash Value

Passbook Rate

If (H) is over \$5,000 \$_____ x .06 % = (J) Imputed Inc.

Enter the greater of the total column I, or J: imputed income TOTAL INCOME FROM ASSETS (K)

(L) Total Annual Household Income from all Sources Add (E) and (K)

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/We certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature_____
(Date)_____
Signature_____
(Date)_____
Signature_____
(Date)_____
Signature_____
(Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

Current Income Limit x 140%

TOTAL ANNUAL HOUSEHOLD
INCOME FROM ALL SOURCES

From Item (L) on page 1

Household Meets
Income Restriction

at:

☐ 60% ☐ 50%☐ 40% ☐ 30%☐ _____Household income exceeds 140% at
recertification:☐ Yes ☐ No

Current Maximum Income

Limit per Family Size: _____

Household Income at Move-in: _____

PART VI. RENT

Tenant Paid Rent

Utility Allowance

Rent Assistance: _____ RA Type _____

Other non-optional charges: _____

GROSS RENT FOR UNIT:
(Tenant paid rent plus Utility
Allowance & other non-optional
Charges)

Unit Meets Rent Restriction at:

☐ 60%☐ 50%☐ 40%☐ 30%☐ _____

Maximum Rent Limit for this unit: _____

PART VII. STUDENT STATUSARE ALL OCCUPANTS FULL-TIME
STUDENTS?

*Student Explanation _____

If yes, choose a student explanation*(also attach
documentation)☐ Yes☐ No☐ TANF assistance☐ Job Training Program☐ Previously in Foster Care☐ Single parent/
dependent child☐ Married/joint return

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

☐ HOME ☐ Tax Exempt ☐ ADHP ☐ Other (specify below)

(Name of Program)

Income Status

☐ ≤ 50% AMGI
☐ ≤ 60% AMGI
☐ ≤ 80% AMGI
☐ OI**

Income Status

☐ Eligible
☐ 50% AMGI
☐ OI**

Income Status

☐ VLI
☐ LI
☐ OI**

Income Status

☐ _____
☐ _____
☐ OI**

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER / REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Regulatory Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER / REPRESENTATIVE

DATE

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I – Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
Property Name	Enter the name of the development.
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
Address	Enter the unit number.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II – Household Composition

List all occupants of the unit. State each household member's relationship to the head of the household by using one of the following coded definitions:

H	Head of household	S	Spouse
A	Adult co-tenant	O	Other family member
C	Child	F	Foster child
L	Live-in caretaker	N	None of the above

Enter the date of birth, student status, and Social Security number or alien registration number for each occupant.

If there are more than seven occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III – Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the 12 months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.)
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D) above. Enter this amount.

Part IV – Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the 12 months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
TOTALS	Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K) Enter the Greater of the total in Column (I) or (J)

Row (L) Total Annual Household Income from All Sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than five days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all sources Enter the number from item (L).

Current Income Limit per Family Size Enter the Current Move-in Income Limit for the household size.

Household income at move-in Household size at move-in For recertifications only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.

Household Meets Income Restriction Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.

Current Income Limit x 140% For recertification only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.

Part VI – Rent

Tenant Paid Rent Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).

Rent Assistance Enter the amount of rent assistance, if any.

Utility Allowance Enter the utility allowance. If the owner pays all utilities, enter zero.

Other non-optional charges	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at ___%	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII – Student Status

If all household members are full-time* students, check “yes.” If at least one household member is not a full-time student, check “no.”

If “yes” is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

** Full time is determined by the school the student attends.*

Part VIII – Program Type

Mark the program(s) for which this unit will be counted toward the property’s occupancy requirements. Under each program marked, indicate the household’s income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit	See Part V above.
HOME	If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicating the household’s designation.
Tax Exempt	If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household’s designation.
AHDP	If the property participates in the Affordable Housing Disposition Program (AHDP), and this household’s unit will count towards the set-aside requirements, mark the appropriate box indicating the household’s designation.
Other	If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF OWNER / REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well-trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

EXHIBIT B-2
FORM OF INCOME RECERTIFICATION

INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other* _____

Effective Date: _____

Move-in Date: _____
(MM/DD/YYYY)

*Transfer from Unit: _____

PART I – DEVELOPMENT DATA

Property Name: _____ County: _____
Unit Number: _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	Last 4 digits of Social Security Number
1			HEAD		
2					
3					
4					
5					
6					
7					

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment/Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	\$	\$	\$	\$
Add totals from (A) through (D) above				TOTAL INCOME (E):
				\$

PART IV. INCOME FROM ASSETS

HH Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			\$	\$
TOTAL INCOME FROM ASSETS (K)				\$

(L) Total Annual Household Income from all Sources [Add (E) + (K)]

\$

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature	(Date)	Signature	(Date)
Signature	(Date)	Signature	(Date)

PART V. RENT

A. Tenant Paid Rent:	\$	
B. Rent Assistance:	\$	
C. Other non-optional charges and mandatory fees:	\$	
D. Gross Rent For Unit (See Instructions):	\$	

PART VI. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD
INCOME FROM ALL SOURCES
From Item (L) on page 1

\$

Household Meets
Income Restriction
at:

☐ 60% ☐ 50%
☐ 40% ☐ 30%
☐ __%

RECERTIFICATION ONLY:

Current Income Limit x 140%

Current Income Limit per Family Size: \$ _____

Household Income at Move-in \$ _____

\$ _____

Household income exceeds 140% at
recertification:

☐ Yes ☐ No

Household Size at Move-in: _____

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of program's rules, regulations and the Regulatory Agreement, to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

PART VIII. HOUSEHOLD DEMOGRAPHICS

Please complete for each household member. See below for Ethnicity, Race, and Other codes that characterize the household composition.

HH Mbr #	Sex – enter M or F	Ethnicity	Race <i>Enter up to 5 categories</i>	Disabled
1				
2				
3				
4				
5				
6				
7				

The Minnesota Housing Finance Agency is required to comply with HUD's reporting requirements; however, you are not required to provide this information. You may not be discriminated against on the basis of this information, or on whether or not you choose to furnish it. If you do not wish to furnish this information, please initial below.

RESIDENT/APPLICANT: I do not wish to furnish information regarding ethnicity, race, sex, and disability status.
(Initials) _____

Ethnicity:	Enter each household member's ethnicity by using one of the following coded definitions:	1. Hispanic or Latino 2. Not Hispanic or Latino 3. Tenant did not respond
Race:	Enter each household member's race by using, at least one, of the following coded definitions (<i>up to 5 categories may be selected</i>):	1. White 2. Black/African American 3. American Indian/Alaska Native 4. Select from the following: 4a Asian India 4b Chinese 4c Filipino 4d Japanese 4e Korean 4f Vietnamese 4g Other Asian 5. Select from the following: 5a Native Hawaiian 5b Guamanian or Chamorro 5c Samoan 5d Other Pacific Islander 6. Other 7. Tenant did not respond

Disabled:	Check yes if any member of the household is disabled according to Fair Housing Act definition for handicap (disability): • <i>A physical or mental impairment which substantially limits one or more major life activities; a record of such an impairment; or being regarded as having such an impairment. For a definition of “physical or mental impairment” and other terms used in this definition, please see 24 CFR 100.201, available at</i> • <i>“Handicap” does not include current, illegal use of or addiction to a controlled substance.</i>	1. Yes 2. No 3. Tenant did not respond
------------------	---	--

EXHIBIT C
CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

(DATE)

TO: City of Fridley, Minnesota
 Fridley City Hall
 7071 University Avenue NE
 Fridley, MN 55432
 Attn: City Manager

and (prior to the discharge of the Bonds (hereinafter defined))

U.S. Bank Trust Company, National Association
 60 Livingston Avenue, Third Floor
 EP-MN-WS3C
 Saint Paul, Minnesota 55107
 Attn: Global Corporate Trust

Re: Multifamily Housing Revenue Bonds (Moon Plaza Apartments Project), Series 2023A (the “Bonds”)

The undersigned, an authorized representative for Roers Fridley Apartments Owner II LLC, a Minnesota limited liability company (the “Owner”), hereby certifies, represents, and warrants that:

1. The Owner owns the multifamily housing project located in Fridley, Minnesota and known as the Moon Plaza Apartments Project (the “Project”).
2. The undersigned and the Owner have read and are thoroughly familiar with the provisions of (1) the Regulatory Agreement, dated as of [_____] 1, 2023] (the “Regulatory Agreement”), between the Owner, the City of Fridley, Minnesota (the “Issuer”), and U.S. Bank Trust Company, National Association (the “Trustee”); and (2) the Loan Agreement, dated [_____] 1, 2023] (the “Agreement”), between the Issuer and the Owner. The Regulatory Agreement was executed, delivered, and recorded against the Project in connection with the issuance of the Bonds.
3. A review of the activities of the Owner and of the Owner’s performance under the Regulatory Agreement and the Loan Agreement during the year ending _____ has been made under the supervision of the undersigned.
4. The Project’s Qualified Project Period commenced on _____ (the date on which 10% of the residential units in the Project were occupied), and will end on the latest of:

(i) _____, ____ (the date which is 15 years after the date on which 50% of the residential units in the Project were occupied);

(ii) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, or

(iii) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates.

5. As of the date of this Certificate, the following percentages of completed residential units in the Project are (i) occupied by Low Income Tenants or (ii) currently vacant and being held available for occupancy by Low Income Tenants and have been so held continuously since the date a Low Income Tenant vacated such unit, as indicated:

Occupied by Low Income Tenants _____ % Units Nos. _____

Continuously held vacant for occupancy by _____ % Units Nos. _____
Low Income Tenants since last occupied by
Low Income Tenants

6. At no time since the date of filing of the last Continuing Program Compliance Certificate (or since the issuance of the Bonds, if this is the first such certificate) has less than _____ units representing 20% of the completed units in the Project been occupied by or were last occupied by Low Income Tenants.

7. As of the date of this Certificate, at least 40% of the units in the Project are (i) occupied by persons or families with Adjusted Income which does not exceed 60% of the Median Income for the Area adjusted for household size; or (ii) held vacant for occupancy for persons or families with Adjusted Income which does not exceed 60% of the Median Income for the Area adjusted for household size. Project Units occupied or held vacant for persons or families with Adjusted Income which does not exceed 60% of the Median Income for the Area adjusted for household size include Unit numbers _____.

8. At all times since the date of filing of the last Continuing Program Compliance Certificate rent on at least 20% of the units in the Project has been equal to or less than applicable area fair market rents or exception for fair market rents, established from time to time by the United States Department of Housing and Urban Development.

9. To the knowledge of the undersigned, after due inquiry, all units were rented or available for rental on a continuous basis during the immediately preceding year to members of the general public, and the Owner is not now and has not been in default under the terms of the Regulatory Agreement and the Loan Agreement and, to the knowledge of the undersigned, no Determination of Taxability has occurred with respect to the Bonds.

10. **[CHOOSE ONE:** None/One or more] of the Tenants in the Project are currently receiving assistance under Section 8 of the United States Housing Act of 1937.

11. Unless otherwise expressly provided herein or unless the context requires otherwise, the capitalized terms used but not defined herein shall have the meaning assigned to such terms in the Regulatory Agreement.

12. The Owner has not transferred any interest in the Project since the date of submission of the Continuing Program Compliance Certificate last submitted to the Trustee and the Issuer with respect to the Project. **(If the Owner has transferred any interest in the Project, such transfer should be detailed here.)**

Signature page of the Borrower to the Certificate of Continuing Program Compliance.

Dated: _____, _____.

ROERS FRIDLEY APARTMENTS OWNER II
LLC, a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member
II LLC a Minnesota limited liability company,
its Managing Member

By: _____

Its: _____

ASSIGNMENT OF MORTGAGE

Form No. 47-M
 Miller-Davis Co., Minneapolis (10-3-86)

By Corporation or Partnership

Minnesota Uniform Conveyancing Blanks (1986)

ASSIGNMENT OF MORTGAGE

Date: June __, 2023

(reserved for recording data)

FOR VALUABLE CONSIDERATION, City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (the "Assignor"), hereby sells, assigns and transfers to U.S. Bank Trust Company, National Association, a national banking association, whose mailing address is 60 Livingston Avenue, St. Paul, Minnesota 55107, as trustee (the "Assignee"), all of Assignor's interest in the Subordinate Mortgage, Security Agreement, Assignment of Rents and Fixture Financing Statement, dated as of June 1, 2023 (the "Mortgage"), from Roers Fridley Apartments Owner II LLC, as mortgagor, to Assignor, as mortgagee, recorded in the Office of the County Recorder of Anoka County, on _____, 2023, as **Document No.** _____, together with all right and interest in the obligations therein specified and the debt thereby secured that there is due and unpaid debt secured by the Mortgage the sum of \$[PAR C], with the interest thereon and a prepayment premium of \$0.00, and that Assignor has the right to sell, assign and transfer the same to the Assignee.

ASSIGNOR:

CITY OF FRIDLEY, MINNESOTA

By: _____
 Scott J. Lund
 Mayor

By: _____
 Walter T. Wysopal
 City Manager

STATE OF MINNESOTA)
)ss.
 COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by Scott J. Lund, the Mayor of the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, on behalf of the Mortgagee.

 Notary Public

(SEAL)

STATE OF MINNESOTA)
)ss.
 COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by Walter T. Wysopal, the City Manager of the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, on behalf of the Mortgagee.

 Notary Public

(SEAL)

THIS INSTRUMENT WAS DRAFTED BY

Ballard Spahr LLP (BWJ)
 2000 IDS Center
 80 South 8th Street
 Minneapolis, Minnesota 55402

First Draft
June 2, 2023

This instrument drafted by:

Ballard Spahr LLP (BWJ)
 2000 IDS Center
 80 South Eighth Street
 Minneapolis, Minnesota 55402

**MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND FIXTURE
 FINANCING STATEMENT**

between

**ROERS FRIDLEY APARTMENTS OWNER II LLC,
 as Mortgagor**

and

**CITY OF FRIDLEY, MINNESOTA,
 as Mortgagee**

Dated as of June 1, 2023

Relating to:

**\$(PAR A)
 City of Fridley, Minnesota
 Multifamily Housing Revenue Bonds
 (Moon Plaza Project)
 Series 2023A**

This Mortgage, Security Agreement, Assignment of Rents and Fixture Financing Statement (this "Mortgage") constitutes a fixture financing statement under Minnesota Statutes, Section 336.9-102, as amended, and contains after-acquired property provisions. The maximum indebtedness secured by this Mortgage is \$[_____] and matures on June 1, 2063.

THIS MORTGAGE IS EXEMPT FROM MORTGAGE REGISTRY TAX IMPOSED BY MINN. STAT. SECTION 287.035 PURSUANT TO MINN. STAT. SECTION 287.04(6).

TABLE OF CONTENTS

	<u>Page</u>
PARTIES	1
RECITALS	1
ARTICLE I — DEFINITIONS.....	2
Section 1.1. Definitions	2
ARTICLE II — MORTGAGE AND SECURITY INTEREST	4
Section 2.1. Mortgage and Security Interest.....	4
Section 2.2. Payments and Performances Secured	6
Section 2.3. Remedies Upon Event of Default	6
Section 2.4. Right of Entry	9
Section 2.5. [Reserved].....	9
Section 2.6. Acknowledgment of Waiver of Hearing Before Sale	9
Section 2.7. Waiver of Redemption, Notice and Marshalling of Assets	10
Section 2.8. Other Rights During an Event of Default	10
ARTICLE III — REPRESENTATIONS, COVENANTS AND PERMITTED ENCUMBRANCES.....	12
Section 3.1. Warranty of Title	12
Section 3.2. Permitted Encumbrances	12
Section 3.3. Hazardous Materials	13
Section 3.4. Assignment of Leases and Rents and Profits.....	13
ARTICLE IV REMOVAL OF MORTGAGED PROPERTY; REPRESENTATIONS AND WARRANTIES; ADDITION OF IMPROVEMENTS TO LIEN OF MORTGAGE; RELEASE AND PARTIAL RELEASE	16
Section 4.1. Removal of Mortgaged Property	16
Section 4.2. Representations and Warranties of Mortgagor.	16
Section 4.3. Addition of Improvements to Lien of Mortgage.....	16
Section 4.4. Release	16
Section 4.5. Partial Release of Mortgaged Property	16
ARTICLE V MISCELLANEOUS	18
Section 5.1. Miscellaneous	18
Section 5.2. Recording and Title Insurance	19
Section 5.3. Binding Effect; Mortgage Covenants	19
Section 5.4. Amendments	20
Section 5.5. Use of Mortgaged Property; Redemption; Insurance	20
Section 5.6. Exercise of Mortgagee Rights.....	20
Section 5.7. This Instrument Is a Fixture Financing Statement	20
Section 5.8. Counterparts.....	21
Section 5.9. Notices	21
Section 5.10. Assignment	21
Section 5.11. Additional Covenants	21
SIGNATURES.....	S-1
EXHIBIT A — LEGAL DESCRIPTION.....	A-1
EXHIBIT B — PERMITTED ENCUMBRANCES.....	B-1

**MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS
AND FIXTURE FINANCING STATEMENT**

THIS MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND FIXTURE FINANCING STATEMENT, dated as of June 1, 2023 (as amended or supplemented, the “Mortgage”), is between ROERS FRIDLEY APARTMENTS OWNER II LLC, a Minnesota limited liability company, as mortgagor (or any successor thereto, the “Company” or “Mortgagor”), and the CITY OF FRIDLEY, MINNESOTA, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, as mortgagee (or any successor thereto, the “Issuer” or “Mortgagee”). This Mortgage is for the benefit of the Mortgagee and for the registered owners of the Series 2023A Bonds (defined below).

RECITALS

WHEREAS, pursuant to the terms of an Indenture of Trust, dated as of June 1, 2023 (the “Indenture”), between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), the Issuer issued its Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023A (the “Series 2023A Bonds”), in the original aggregate principal amount of \$[PAR A], and loaned the proceeds thereof to the Company, pursuant to the terms of a Loan Agreement, dated as of June 1, 2023 (the “Loan Agreement”), and applied by the Company to finance a portion of (i) the acquisition and construction of an approximately 250,000 square foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6257 University Avenue Northeast in the City of Fridley, Minnesota (the “Project”), (ii) fund capitalized interest for the Series 2023A Bonds; and (iii) pay the costs of issuance of the Series 2023A Bonds; and

WHEREAS, simultaneously with the issuance of the Series 2023A Bonds, the Issuer will issue its (i) Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023B (the “Series 2023B Bonds”), in the original aggregate principal amount of \$[PAR B], and (ii) Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023C (the “Series 2023C Bonds”), in the original aggregate principal amount of \$[PAR C]; however, the Series 2023B Bonds and Series 2023C Bonds are not secured under this Mortgage; and

To secure payment of the Series 2023A Bonds, the interest of the Issuer this Mortgage will be assigned from the Issuer to the Trustee pursuant to the terms of an Assignment of Mortgage, dated as of June 1, 2023 (the “Assignment”).

WHEREAS, the Series 2023A Bonds have a final maturity date of June 1, 20[]; and

WHEREAS, the Issuer’s interests in the Loan Agreement, except for certain reserved rights, have been assigned to the Trustee; and

WHEREAS, under the terms of the Loan Agreement, the Company has covenanted, among other things, to make loan repayments sufficient to pay the principal of and interest on the Series 2023A Bonds when due; and

NOW THEREFORE, the Mortgagor and the Mortgagee hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The terms defined in this Article I shall for all purposes of this Mortgage have the meanings herein specified or those meanings specified in the Indenture, unless the context clearly requires otherwise:

Bonds means the Series 2023A Bonds, the Series 2023B Bonds, the Series 2023C Bonds, and any Additional Bonds issued under the Indenture.

Company means the Mortgagor, and any successor owner of the Mortgaged Property who agrees to be bound by this Mortgage.

Environmental Regulation has the meaning provided in Section 3.3 hereof.

Event of Default means any event defined as such in the Loan Agreement, the Indenture, or this Mortgage.

Hazardous Substance has the meaning provided in Section 3.3 hereof.

Indenture means the Indenture of Trust, dated as of June 1, 2023, between the Issuer and the Trustee, as amended and supplemented from time to time.

Issuer means the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, and any successor.

Land means the same as defined in Section 2.1(a) hereof.

Leases means the same as defined in Section 2.1(g) hereof.

Loan Agreement means the Loan Agreement, dated as of June 1, 2023, between the Issuer and the Company, as amended or supplemented from time to time.

Loan Repayments means the payments required to be made by the Company pursuant to the Loan Agreement.

Mortgage means this Mortgage, Security Agreement, Assignment of Rents and Fixture Financing Statement, dated as of June 1, 2023, between the Mortgagor and the Mortgagee, as amended and supplemented from time to time.

Mortgaged Property means all real estate, buildings, equipment, and other interests as more particularly described in subsections (a) through (i), inclusive, of Section 2.1 of this Mortgage, including the real estate described in EXHIBIT A attached to this Mortgage.

Mortgagee means the Issuer.

Mortgagor has the meaning ascribed in the recitals hereto, and any successor owner of the Mortgaged Property who agrees to be bound by this Mortgage.

Permitted Encumbrances means those encumbrances set forth in Section 3.2 hereof and listed in EXHIBIT B attached hereto.

[Pledged Accounts] means the right to receive all receipts, revenues, and income derived by the Mortgagor, or on behalf of the Mortgagor by the Issuer or the Trustee or a receiver, from any source whatsoever, including, without limiting the generality of the foregoing, revenues derived from the leasing or operation of the Mortgaged Property, whether in the form of accounts receivable, contract rights, general intangibles, or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence.]

Project has the meaning ascribed in the recitals hereto.

Released Property means any Mortgaged Property released from this Mortgage pursuant to the provisions of Section 4.5 of this Mortgage.

Series 2023A Bonds has the meaning ascribed in the recitals hereto.

Series 2023B Bonds has the meaning ascribed in the recitals hereto.

Series 2023C Bonds has the meaning ascribed in the recitals hereto.

State means the State of Minnesota.

Trustee means U.S. Bank Trust Company, National Association, a national banking association, and any successor trustee under the Indenture.

UCC Collateral means the same as defined in Section 2.3(e) below.

(The remainder of this page is intentionally left blank.)

ARTICLE II

MORTGAGE AND SECURITY INTEREST

Section 2.1 Mortgage and Security Interest. In order to secure, and as security for, (i) the making of the Loan Repayments by the Mortgagor to the Mortgagee for the account of the Issuer, and assigned to the Trustee for the benefit of registered owners of the Series 2023A Bonds, pursuant to the Loan Agreement, and (ii) the performance and observance by the Mortgagor of all of the other covenants, agreements, representations, warranties and conditions contained herein, in the Indenture, in the Loan Agreement, or in any security document set forth in the Loan Agreement, the Mortgagor by these presents does hereby sell, assign, mortgage, grant, convey, transfer, pledge, set over and confirm unto the Mortgagee, and its successors and assigns forever, with power of sale, and grant a lien on and a security interest in the Mortgaged Property, consisting of all and singular the following described premises and property of the Mortgagor:

(a) That real estate lying and being in the City of Fridley, Anoka County, Minnesota, described in EXHIBIT A (the “Land”) attached hereto and made a part hereof as though set forth in full herein;

(b) All buildings, improvements, structures, and appurtenances now standing, or at any time hereafter constructed or placed upon the Land and made a part hereof as though set forth in full herein or any part thereof, including all right, title, and interest of the Mortgagor in and to all building material, plants, fixtures, and trade fixtures of every kind and nature whatsoever on said premises or in any building now or hereafter standing on said real estate, or any part thereof;

(c) The reversion or reversions, remainder or remainders, in and to the Land and each and every part thereof, together with the entire interest of the Mortgagor in and to all and singular the tenements, hereditaments, easements, rights, privileges and appurtenances to said real estate belonging or in any way appertaining thereto;

(d) All the estate, right, title, interest, claim, or demand whatsoever of the Mortgagor, either in law or in equity in possession or expectancy, of, in and to the Land, it being the intention of the parties hereto that so far as may be permitted by law, all tangible personal property now owned or hereafter acquired by the Mortgagor and affixed to or attached to said real estate shall be deemed to be, and shall be considered as, fixtures and appurtenances to said real estate of the Mortgagor;

(e) All of the Mortgagor’s right, title, and interest, if any, in and to any streets, rights-of-way, and alleys on or adjoining the Land;

(f) All and singular the furniture, goods, equipment, machinery, inventory, and other tangible personal property owned by the Mortgagor used or suitable for use in the operation or maintenance of the Land and located on the Land, and any items of furniture, goods, equipment, machinery, inventory and other tangible personal property acquired and installed on the Land in addition thereto or in substitution or replacement therefor, and any proceeds of the same, less any such item as may be released from the lien of this Mortgage pursuant to the terms hereof or of the Loan Agreement;

(g) All leases, including without limitation insurance contracts pertaining to the occupancy, use, possession or enjoyment of all or any part of the Mortgaged Property, now or hereafter entered into, and any modification, renewal or extension thereof, and all guarantees of the

lessees', tenants', or occupants' obligations thereunder, including without limitation deposits of cash or securities (collectively, the "Leases"), and all of the rents, royalties, issues, profits, revenue, income, unearned insurance premiums and other benefits hereafter accruing under any Leases or otherwise arising from the ownership, occupancy, use, possession or enjoyment of all or any part of the Mortgaged Property (collectively, the "Rents and Profits");

(h) All (a) awards or payments, including interest thereon and the right to receive the same, growing out of or resulting from any exercise of the power of eminent domain (including the taking of all or any part of the Mortgaged Property, or any alteration of the grade of any street upon which the Mortgaged Property abuts, or any other injury to, taking of, or decrease in the value of the Mortgaged or any part thereof); (b) any unearned premiums on any hazard, casualty, liability, or other insurance policy carried for the benefit of the Mortgagor and/or the Mortgagee with respect to the Mortgaged Property; and (c) all rights of the Mortgagor in, to, under, by virtue of, arising from or growing out of any and all present or future contracts, instruments, accounts, insurance policies, permits, licenses, plans, appraisals, reports, paid fees, choses-in-action, accounts receivable, subdivision restrictions or declarations or other intangibles whatsoever now or hereafter dealing with, affecting or concerning the Mortgaged Property, the improvements thereto, or any portion thereof or interest therein, including but not limited to (i) all contracts, plans and permits for or related to the Mortgaged Property or its development or the construction or refurbishing of improvements on the Mortgaged Property; (ii) any agreements for the provision of utilities to the Mortgaged Property; (iii) all payment, performance and/or other bonds; (iv) any contracts now existing or hereafter made for the sale by Mortgagor of all or any portion of the Mortgaged Property, including any deposits paid by any purchasers (howsoever such deposits may be held) and any proceeds of such sales contracts, including any purchase-money notes and mortgages made by such purchasers; (v) any declaration of condominium, restrictions, covenants, easements or similar documents now or hereafter recorded against the title to all or any portion of the Mortgaged Property; and (vi) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including without limitation proceeds of insurance and condemnation awards;

(i) All of the Mortgagor's rights to enter into any lease or lease agreement regarding all or any part of the Mortgaged Property, and all of the Mortgagor's rights to encumber the Mortgaged Property further for debt, the Mortgagor hereby (a) representing, as of the date hereof, there are no encumbrances to secure debt prior or junior to this Mortgage; and (b) covenanting that there are to be none as of the date when this Mortgage is recorded (except the debt evidenced by this Mortgage); and

(j) [All of the Mortgagor's present and future Pledged Accounts and all proceeds thereof.]

TO HAVE AND TO HOLD, all and singular, the Mortgaged Property and the rights and privileges hereby granted, mortgaged, conveyed, assigned and pledged by the Mortgagor or intended so to be, ratably unto the Mortgagee and its successors and assigns forever, in trust, nevertheless, with power of sale for the benefit and security of each and every registered owner of the Series 2023A Bonds issued under the Indenture, without preference, priority or distinction as to the participation in the lien, benefit and protection hereof of one Series 2023A Bond over or from the others, by reason of priority in the issue or negotiation of maturity thereof, or for any reason whatsoever, except as otherwise expressly provided in the Indenture or the Loan Agreement, so that each and all of such Series 2023A Bonds hereby secured shall have the same right, lien and privilege under this Mortgage and shall be secured equally hereby;

SUBJECT, NEVERTHELESS, to Permitted Encumbrances;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Mortgagor, or its respective successors or assigns, shall well and truly pay all Loan Repayments applicable to the Series 2023A Bonds on behalf of the Issuer according to the provisions set forth in the Loan Agreement (which is by reference incorporated herein and made a part hereof with the same effect as if it were set forth in full herein) and shall also pay or cause to be paid all other sums payable under the Indenture or the Loan Agreement by the Mortgagor and the Mortgagor shall faithfully and punctually perform all other conditions, covenants and agreements set forth in the Loan Agreement on behalf of the Issuer, then these presents and the estate, lien, security interests and rights hereby granted shall cease, determine and become void, and thereupon the Mortgagee, on payment of its lawful charges and disbursements then unpaid, on demand of the Mortgagor, shall duly execute, acknowledge and deliver to the Mortgagor such instruments of satisfaction or release in respect of the Mortgaged Property as may be necessary or proper to discharge this Mortgage of record, and if necessary shall grant, reassign and deliver to the Mortgagor, its successors or assigns, all and singular the property and interest by it hereby granted, conveyed, mortgaged and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as provided in the Loan Agreement; otherwise this Mortgage shall be and remain in full force.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that all of the Mortgaged Property is to be held and applied, subject to the covenants, agreements and conditions set forth in the Loan Agreement and herein.

Section 2.2 Payments and Performances Secured. This Mortgage shall cover and secure:

(a) payment of any and all Loan Repayments pursuant to the Loan Agreement, together with any renewals or extensions thereof but only to the extent such Loan Repayments are applied or will be applied to the payment of the Series 2023A Bonds; notwithstanding anything to the contrary contained herein, the maximum principal amount secured hereby is \$[PAR A];

(b) performance of each covenant, agreement or condition of the Mortgagor set forth in the Loan Agreement, this Mortgage, or any other security agreement(s) executed in connection with the issuance of the Series 2023A Bonds (the “Security Agreements”); and

(c) the payment of all other sums incurred or advanced by the Mortgagee or otherwise becoming due and payable under the provisions of the Indenture, the Loan Agreement, this Mortgage, or any Security Agreement, together with any interest thereon in accordance with the Loan Agreement, including without limitation all advances consisting of protective advances, as described in Minnesota Statutes, Section 287.05, subdivision 4, or any successor statute thereto, as the same may be amended from time to time.

The final maturity date of the debt obligations/indebtedness secured by this Mortgage is June 1, 2063.

Section 2.3 Remedies Upon Event of Default. If one (1) or more Events of Default shall have occurred and be continuing, the Mortgagee shall be entitled to exercise any or all of the remedies set forth or provided in the Loan Agreement, any other Security Agreements, the Indenture or herein, to the extent permitted by law, including but not limited to (i) petitioning a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate the Company or the Mortgaged Property for the benefit of the Issuer, and (ii) declaring all Loan Repayments under the Loan Agreement applicable to the payment of the Series 2023A Bonds immediately due and payable without notice, and the Mortgagee is hereby authorized and empowered to the extent as may from time to time be permitted by

law, to foreclose this Mortgage by judicial proceedings or by advertisement with full authority to sell the Mortgaged Property at public auction and convey the same to the purchaser in fee simple in accordance with the laws of the State, and out of the money arising from such sale to retain all sums secured hereby, together with interest and all legal costs and charges of such foreclosure, which costs and charges the Mortgagor agrees to pay.

Without limiting the foregoing, upon an Event of Default the Mortgagee shall have the right, to the extent as may from time to time be permitted by law, to:

(a) Foreclose on this Mortgage, enter and take possession of the Mortgaged Property or any part thereof without termination of the Leases, and use commercially reasonable efforts to lease for any commercial purpose or foreclose and sell the Mortgaged Property or any part thereof for the account of the Mortgagor, holding the Mortgagor liable, to the extent permitted by law, for the difference between the amounts received and the Loan Repayments and other amounts payable by the Mortgagor under the Loan Agreement or otherwise secured hereby; and

(b) Foreclose on this Mortgage, exclude the Mortgagor from possession of the Mortgaged Property or any part thereof and use commercially reasonable efforts to lease for any commercial purpose or sell the Mortgaged Property or any part thereof to another for the account of the Mortgagor, holding the Mortgagor liable, to the extent permitted by law, for the difference between the amounts received and the Loan Repayments and other amounts payable by the Mortgagor under the Loan Agreement or otherwise secured hereby, but only such Loan Repayments as are applicable to the payment of the Series 2023A Bonds; and

(c) The Mortgagee may sell the Mortgaged Property to the highest bidder at public auction in front of the courthouse door or such other location as the sheriff may customarily conduct foreclosure sales in the county, as may be required, where the Mortgaged Property is located, either in person or by auctioneer, after having first given notice of the time, place and terms of sale, together with a description of the property to be sold, as required by Minnesota Statutes, Chapter 580 or 581, as applicable, as the same may be amended from time to time, and, upon payment of the purchase money or credit bid by the Mortgagee, the Mortgagee or any person conducting the sale for Mortgagee (including but not limited to the sheriff of the county where the Mortgaged Property is located) is authorized to execute to the purchaser at said sale a deed or sheriff's certificate of sale to the Mortgaged Property so purchased. The Mortgagee may bid at said sale and purchase the Mortgaged Property, or any part thereof, if the highest bidder therefor. At the foreclosure sale the Mortgaged Property may be offered for sale and sold as a whole without first offering it in any other manner or may be offered for sale and sold in any other manner as the Mortgagee may elect; and

(d) To the extent permitted by law, foreclose on this Mortgage, exclude the Mortgagor from possession of the Mortgaged Property or any part thereof, and all Loan Repayments theretofore made by the Mortgagor shall be retained and applied to the payment of principal of and interest on the Series 2023A Bonds, and all interest of the Mortgagor in the Mortgaged Property shall terminate; and

(e) Exercise any remedies available to a secured party under the Minnesota Uniform Commercial Code. Upon demand by the Mortgagee, the Mortgagor shall assemble the following collateral (collectively, the "UCC Collateral"): (i) any portion of collateral subject to the Minnesota Uniform Commercial Code, and (ii) all portions of the Mortgaged Property that may not be deemed real property or may not constitute a "fixture" within the meaning of Minn. Stat. § 336.9-102 of the Minnesota Uniform Commercial Code and all replacements, substitutions, and additions for and to

the same, whether acquired now or in the future, and all products and cash and non-cash proceeds thereof. After assembling the UCC Collateral, the Mortgagor shall make it available to the Mortgagee, at a place designated by the Mortgagee. The Mortgagee or its agents may without notice from time to time enter upon the Mortgagor's premises without causing a breach of the peace to take possession of the UCC Collateral, to remove it, to render it unusable, to process it or otherwise prepare it for sale, or to sell or otherwise dispose of it. Any written notice of the sale, disposition or other intended action by the Mortgagee with respect to the UCC Collateral which is sent by regular mail, postage prepaid, to the Mortgagor at the address of the Mortgagor which may from time to time be shown on the Mortgagee's records or which shall be been provided by the Mortgagor to the Mortgagee in writing, at least ten (10) days prior to such sale, disposition or other action, shall constitute commercially reasonable notice to the Mortgagor. The Mortgagee may alternatively or additionally give such notice in any other commercially reasonable manner. Nothing in this Mortgage shall require the Mortgagee to give any notice not required by applicable laws. If any consent, approval, or authorization of any state, municipal, or other governmental department, agency, or authority or of any person, or any person, corporation, partnership, or other entity having any interest therein, should be necessary to effectuate any sale or other disposition of the UCC Collateral, the Mortgagor agrees to execute all such applications and other instruments, and to take all other action, as may be required in connection with securing any such consent, approval or authorization; and

(f) Exercise any and all remedies available to Mortgagee under any other documents or agreements executed in connection with the Loan Agreement, the Indenture, any Security Agreement, and the Series 2023A Bonds or under law; and

(g) Pay the costs and expenses incurred by the Issuer, the Mortgagee, their agents and counsel, including reasonable fees and disbursements of the attorneys involved to the extent permitted by law, which shall be additional sums secured by this Mortgage; and

(h) The Mortgagee, upon application to a court of competent jurisdiction, shall be entitled as a matter of strict right, without notice and without regard to the sufficiency or value of any security or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to operate the Company or the Mortgaged Property and to collect and apply the Rents and Profits. The receiver shall have all the rights and powers permitted under the laws of the State. The Mortgagor will pay unto the Mortgagee upon demand all expenses, including receiver's fees, reasonable attorneys' fees, costs and agent's compensation, incurred pursuant to the provisions of this Section, and upon any Mortgagor's failure to pay the same, any such amounts shall be added to the sums secured by this Mortgage and shall bear interest at the Default Rate (as defined in the Indenture). The receiver may be appointed by an action separate from any foreclosure of this Mortgage pursuant to Minnesota Statutes, Chapter 580 or 581, or any successor statutes thereto, as the same may be amended from time to time, or as a part of the foreclosure action under said Chapter 581 (it being agreed that the existence of a foreclosure pursuant to said Chapter 580 or a foreclosure action pursuant to said Chapter 581 is not a prerequisite to any action for a receiver hereunder). The Mortgagee shall be entitled to the appointment of a receiver without regard to waste, adequacy of the security or solvency of the Mortgagor and otherwise in accordance with the provisions of Minnesota Statutes, Chapter 576, or any successor statute thereto, as the same may be amended from time to time. The Mortgagor hereby agrees and consents to the appointment of the particular person or firm (including an officer or employee of the Mortgagee) designated by Mortgagee as receiver and hereby waives its rights to suggest or nominate any person or firm as receiver in opposition to that designated by Mortgagee. The Mortgagee shall have the right, at any time and without limitation, as provided in Minnesota Statutes, Section 582.03, or any successor statute thereto, as the same may be amended from time to time, to advance money to the

receiver to pay any part or all of the items which the receiver should otherwise pay if cash were available from the Mortgaged Property and sums so advanced, with interest at the Default Rate, shall be secured hereby, or if advanced during the period of redemption shall be part of the sum required to be paid to redeem from the sale.

The Mortgagor agrees, to the extent permitted from time to time by law, to pay to the Mortgagee any deficiency which may be assessed against the Mortgagor, such deficiency being the difference between (i) the amounts received from foreclosure of this Mortgage and remedies pursued under the Minnesota Uniform Commercial Code or otherwise and (ii) the aggregate amount remaining unpaid as principal of and interest on the outstanding Series 2023A Bonds.

The remedies in this Mortgage are cumulative and not exclusive of any other rights and remedies which the Trustee would otherwise have at law, in equity or by statute, and all such rights and remedies, together with all other rights and remedies of the Trustee under the Indenture, the Loan Agreement, and the other Security Agreements, are cumulative and may be exercised individually, concurrently, successively and in any order.

Section 2.4 Right of Entry. If the Mortgagee exercises one (1) of the remedies provided for in subsection (a), (b), (c), or (d) of Section 2.3 hereof, pursuant to a foreclosure of this Mortgage, the Mortgagee may then or at any time thereafter, to the extent permitted from time to time by law, take complete and peaceful possession of the Mortgaged Property or any portion thereof, and may remove all persons therefrom, and the Mortgagor covenants in any such event, to the extent required from time to time by law, peacefully and quietly to yield up and surrender the Mortgaged Property or such portion thereof to the Mortgagee.

Section 2.5 Reserved.

Section 2.6 Acknowledgment of Waiver of Hearing Before Sale. The Mortgagor understands and agrees that if an Event of Default occurs under the terms of this Mortgage, the Mortgagee has the right, inter alia, to foreclose this Mortgage by advertisement pursuant to Minnesota Statutes, Chapter 580, as hereafter amended, or pursuant to any similar or replacement statute hereafter enacted; that if Mortgagee elects to foreclose by advertisement, it may cause the Mortgaged Property, or any part thereof, to be sold at public auction; that notice of such sale must be published for six (6) successive weeks at least once a week in a newspaper of general circulation and that no personal notice is required to be served upon the Mortgagor. The Mortgagor further understands that in the event of such default Mortgagee may also elect its rights under the Minnesota Uniform Commercial Code and take possession of the collateral, or any part thereof, and dispose of the same by sale or otherwise in one or more parcels provided that at least ten (10) days' prior notice of such disposition must be given, all as provided for by the Minnesota Uniform Commercial Code, as hereafter amended or by any similar or replacement statute hereafter enacted. The Mortgagor further understands that under the Constitution of the United States and the Constitution of the State it may have the right to notice and hearing before the Mortgaged Property may be sold and that the procedure for foreclosure by advertisement described above does not ensure that notice will be given to the Mortgagor and neither said procedure for foreclosure by advertisement nor the Minnesota Uniform Commercial Code requires any hearing or other judicial proceeding. THE MORTGAGOR HEREBY RELINQUISHES, WAIVES AND GIVES UP ANY CONSTITUTIONAL RIGHTS IT MAY HAVE TO NOTICE AND HEARING BEFORE SALE OF THE MORTGAGED PROPERTY AND EXPRESSLY CONSENTS AND AGREES THAT THE MORTGAGED PROPERTY MAY BE FORECLOSED BY ADVERTISEMENT AND THAT THE COLLATERAL MAY BE DISPOSED OF PURSUANT TO THE MINNESOTA UNIFORM COMMERCIAL CODE, ALL AS DESCRIBED ABOVE. THE MORTGAGOR ACKNOWLEDGES THAT IT IS REPRESENTED BY LEGAL COUNSEL; THAT BEFORE SIGNING THIS DOCUMENT, THIS SECTION AND THE MORTGAGOR'S

CONSTITUTIONAL RIGHTS WERE FULLY EXPLAINED BY SUCH COUNSEL AND THAT THE MORTGAGOR UNDERSTANDS THE NATURE AND EXTENT OF THE RIGHTS WAIVED HEREBY AND THE EFFECT OF SUCH WAIVER.

Section 2.7 Waiver of Redemption, Notice and Marshalling of Assets. To the fullest extent permitted by law, Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefit that might accrue to Mortgagor by virtue of any present or future statute of limitations or law or judicial decision exempting the Mortgaged Property from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment, (b) all notices of any Event of Default or of any election by Mortgagee to exercise or the actual exercise of any right, remedy or recourse provided for under any of the documents evidencing the Loan and/or indebtedness secured hereby, (c) any right to a marshalling of assets or a sale in inverse order of alienation, (d) any appraisal before a sale of any portion of the Mortgaged Property, and (e) any extension of time for the enforcement and collection of the Loan Agreement, the indebtedness secured hereby, or creating or extending a period of redemption from any sale made in collecting said debt. To the full extent Mortgagor may do so, Mortgagor agrees that the Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter enforced providing for any appraisal, evaluation, stay, extension or redemption, and Mortgagor, to the extent permitted by law, waives and releases all rights of redemption, valuation, appraisal, stay of execution or notice of election to mature or declare due the whole of this Mortgage. Mortgagor hereby waives to the full extent lawfully allowed the benefit of any homestead laws now or hereinafter in effect.

Section 2.8 Other Rights During an Event of Default.

(a) Purchase by Mortgagee. Upon any foreclosure sale, the Mortgagee may bid for and purchase the Mortgaged Property and shall be entitled to apply all or any part of the Series 2023A Bonds as a credit to the purchase price.

(b) Mortgagor as Tenant Holding Over. In the event of any such foreclosure sale and upon the expiration of any redemption period, the Mortgagor (if the Mortgagor shall remain in possession) shall be deemed a tenant holding over and shall forthwith deliver possession to the purchaser or purchasers at such sale or be summarily dispossessed according to provisions of law applicable thereto.

(c) Waiver of Appraisal, Valuation, Etc. The Mortgagor agrees, to the full extent permitted by law, that in case of an Event of Default on the part of the Mortgagor hereunder, neither the Mortgagor nor anyone claiming through or under the Mortgagor will assert, claim or seek to take advantage of any appraisal, valuation, stay, homestead, extension, exemption or laws now or hereafter in force, in order to prevent or hinder the enforcement of foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or the delivery of possession thereof immediately after the expiration of redemption following such sale to the purchaser at such sale.

(d) Discontinuance of Proceedings. In case the Mortgagee shall have proceeded to enforce any right, power or remedy under this Mortgage by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Mortgagee, then in every such case, the Mortgagor and the Mortgagee shall be restored to their former positions and rights hereunder, and all rights, powers, and remedies of the Mortgagee shall continue as if no such proceedings had occurred.

(e) Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition, or other proceedings affecting the

Mortgagor, its creditors or its properties, the Mortgagee, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Mortgagee allowed in such proceedings for the entire amount due and payable by the Mortgagor under this Mortgage at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Mortgagor hereunder after such date.

(f) Actions Without Mortgagor's Consent. The Mortgagor agrees that the Mortgagee may from time to time do any one (1) or all of the following without notice to or the consent of Mortgagor and without affecting the Mortgagee's rights or remedies against the Mortgagor or affecting the priority of this Mortgage, or diminish or relieve in any manner any liability of the Mortgagor: (i) accept partial payment of, compromise, settle, renew, extend the time for payment or performance of, or refuse to enforce any of the Indenture, the Loan Agreement, or any Security Agreement under or in connection with this Mortgage; (ii) grant any indulgence or forbearance to any other person under or in connection with any or all of the Security Agreements; (iii) release, waive, substitute, change, exchange or add any or all collateral securing payment of the Series 2023A Bonds, the Indenture, or the Loan Agreement or any amounts securing the Leases; (iv) release, waive, substitute change, exchange or add any one (1) or more endorsers or guarantors of any or all of the Indenture, Loan Agreement, or any Security Agreement; and (v) exercise any right or remedy with respect to the Indenture, Loan Agreement, any Security Agreement, or any collateral securing the Series 2023A Bonds, notwithstanding any effect on or impairment of the Mortgagor's subrogation, reimbursement, or other rights against any Person under or in connection with any or all of the Indenture and the Loan Agreement.

(The remainder of this page is intentionally left blank.)

ARTICLE III

REPRESENTATIONS, COVENANTS AND PERMITTED ENCUMBRANCES

Section 3.1 Warranty of Title. The Mortgagor hereby covenants and warrants that it is and will continue to be well and truly seized of good title in fee simple to the Mortgaged Property and that it has good right and lawful authority to convey and grant a lien and security interest in the same to the Mortgagee and that the title, lien, and security interest hereby conveyed is and will forever be free, clear, and unencumbered, subject, however, to Permitted Encumbrances. The Mortgagor covenants and agrees to warrant and defend its good and insurable title to the Mortgaged Property (subject to Permitted Encumbrances) and its good right and lawful authority to grant a lien and security interest in the same to the Mortgagee.

Section 3.2 Permitted Encumbrances. “Permitted Encumbrances” shall mean, with respect to the Mortgaged Property, the following:

- (a) liens for taxes, levies, assessments, utility rents, rates and charges, licenses or permits or other impositions, provided that in each case the same shall either (i) not be due and payable; (ii) not be delinquent to the extent that penalties for nonpayment may then be assessed, or the Mortgaged Property or any portion thereof, shall then be subject to forfeiture or (iii) be a lien, the amount or validity of which is being contested in good faith by the Mortgagor in accordance with the Loan Agreement;
- (b) mechanics’, workmen’s, repairmen’s, supplier’s, vendors’ or carriers’ liens or other similar liens, provided that the contract price secured by the lien is not yet due or the amount or validity of the lien shall be contested in good faith by the Mortgagor in accordance with the Loan Agreement;
- (c) financing statements naming the Issuer or the Mortgagor as debtor and naming the Issuer or the Mortgagee as secured party, filed to perfect the security interests granted by the Indenture, the Loan Agreement, and this Mortgage;
- (d) rights of the United States or any state or political subdivision thereof (which for purposes of this definition shall include any taxing or improvement district), or other public or governmental authority or agency, to take, use or control property or to terminate any right, power, franchise, grant, license or permit previously in force;
- (e) any leases, subleases, transfers, or assignments permitted under the Loan Agreement;
- (f) the pendency or filing of any application or proceedings seeking to annex or rezone the Mortgaged Property or any portion thereof, or to include it in any political subdivision;
- (g) those liens, encumbrances, easements, servitudes, licenses, rights-of-way described in EXHIBIT B attached hereto; and
- (i) such minor defects, irregularities, encumbrances, and clouds on title as normally exist with respect to property similar in character to the Mortgaged Property and as do not, in the opinion of Independent Counsel delivered and addressed to the Trustee, materially impair the property affected thereby for the purposes of the Mortgaged Property.

Section 3.3 Hazardous Materials. The Mortgagor covenants, warrants and represents to the Mortgagee, its successors and assigns, (i) that to the best of the Mortgagor's knowledge, without independent investigation, no dangerous, toxic or hazardous pollutants, chemical wastes or substances as defined in the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA"), or the Federal Resource Conservation and Recovery Act of 1976 ("RCRA"), or the Minnesota Environmental Response and Liability Act, (the "MERLA"), or any other federal, state or local environmental laws, statutes, regulations, requirements and ordinances ("Hazardous Substance") are present on the Mortgaged Property; (ii) that, to the best of the Mortgagor's knowledge, no part of the Mortgaged Property is listed in the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or in any list of hazardous waste priorities in the State; (iii) that the Mortgagor shall not store, locate, generate, treat or discharge any Hazardous Substance in, on or from the Mortgaged Property except for cleaning and janitorial supplies, science class materials (such as chemicals used for scientific experiments), and other materials ordinarily used in the operation of a multifamily housing development and in compliance with CERCLA, RCRA, the MERLA, and other applicable federal, state or local environmental laws, statutes, regulations, requirements and ordinances (collectively, "Environmental Regulations"), as well as materials ordinarily used in motorized vehicles; and (iv) that the Mortgagor shall cause all Hazardous Substances found on or in the Mortgaged Property (including Hazardous Substances on the Mortgaged Property on the date of the issuance and delivery of the Series 2023A Bonds) to be properly removed therefrom and properly disposed of to the extent required by and in accordance with all applicable Environmental Regulations and shall comply with all applicable Environmental Regulations with respect to the Mortgaged Property. Notwithstanding the forgoing, any lessee of the Mortgaged Property shall be permitted to park motorized vehicles on or about any parking areas of the Mortgaged Property and within any building constituting part of the Mortgaged Property designated for such use. The Mortgagor agrees to indemnify and reimburse the Mortgagee, the registered owners of the Series 2023A Bonds, their successors and assigns, and any successor owner of the Mortgaged Property acquiring title upon foreclosure of this Mortgage or deed in lieu of foreclosure, for any breach of these representations and warranties and from any loss, damage, expense or cost arising out of or incurred by them or any of them which is a result of a breach, misstatement of or misrepresentation of the above covenants, representations and warranties, together with all attorneys' fees incurred in connection with the defense of any action against the Mortgagee arising out of the above unless caused by the Mortgagee. Promptly after receipt by a person or party indemnified hereunder of notice of commencement of any action in respect of which indemnity may be sought against the Mortgagor under this Section, such person or party will notify the Mortgagor in writing of the commencement thereof and, subject to the provisions hereinafter stated, the Mortgagor shall assume the defense of such action (including the employment of counsel, who shall be counsel satisfactory to the Mortgagor and the indemnified person or party) insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against the Mortgagor. The indemnified person or party 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 Mortgagor unless the employment of such counsel has been specifically authorized by the Mortgagor. The Mortgagor shall not be liable to indemnify any person or party for any settlement of any such action effected without the Mortgagor's prior written consent. These covenants, representations and warranties are for the benefit of the Mortgagee, the registered owners of the Series 2023A Bonds, their successors and assigns, and any successor owner of the Mortgaged Property acquiring title upon foreclosure of this Mortgage or deed in lieu of foreclosure, and shall be deemed to survive termination of this Mortgage.

Section 3.4 Assignment of Leases and Rents and Profits. This Mortgage constitutes an absolute and present assignment of the Leases and of the Rents and Profits and shall be fully operative without any further action on the part of either party. This assignment shall constitute a perfected, absolute and present, irrevocable, currently effective assignment of Rents and Profits within the meaning of Minnesota Statutes, Sections 559.17 and 576.25, or any successor statutes thereto, as the same may be amended from time to time, and is intended to comply fully with the provisions thereof, and to afford the

Mortgagee, to the fullest extent allowed by law, the rights and remedies of a mortgage lender or secured lender pursuant thereto. The Mortgagee shall be entitled, at its option, upon the occurrence and continuation of an Event of Default hereunder which remains uncured, to all Rents and Profits; provided, however, that so long as no Event of Default has occurred and is continuing hereunder, the Mortgagor is hereby given a revocable license to collect, receive, take, use, and enjoy all such Rents and Profits as these come due and payable, but not in advance thereof, and pursue any remedies for the enforcement of the Leases. Upon an Event of Default hereunder which remains uncured, Mortgagor's revocable license to collect the Rents and to exercise all rights, power and authority under the Leases shall immediately cease and terminate, and the Mortgagee may exercise the rights herein granted upon notifying all lessees of any part of the Mortgaged Property (the "Lessees") of the right of the Mortgagee to receive such Rents and Profits, and shall instruct such Lessees to pay the same directly to the Mortgagee without any consent from the Mortgagor being required, a copy of this instrument and a statement by the Mortgagee that this Mortgage is in default being sufficient notice to such Lessees of the Mortgagee's rights to collect the same.

Upon or at any time during the continuance of an Event of Default, or if any material representation or warranty herein proves to be untrue, then the Mortgagee, without regard to waste, adequacy of the security or solvency of the Mortgagor, whether or not all indebtedness secured hereby is or has been declared immediately due and payable and may, at its option, without notice:

(i) in person or by agent, with or without taking possession of or entering the Mortgaged Property, with or without any action or proceeding, give or require Mortgagor to give, notice to any or all tenants under any lease authorizing and directing the tenant to pay such Rents and Profits to Mortgagee; collect all of the Rents and Profits; enforce the payment thereof and exercise all of the rights of the landlord under the leases and all of the rights of Mortgagee hereunder, may enter upon, take possession of, manage and operate said Mortgaged Property, or any part thereof; may cancel, enforce or modify the leases, and fix or modify rents, and do any acts which Mortgagee deems proper to protect the security hereof with or without taking possession of the Mortgaged Property; and/or

(ii) apply for the appointment of a receiver in accordance with the statutes and law made and provided for, which receivership Mortgagor hereby consents to, who shall collect the Rents and Profits, and all other income of any kind; manage the Mortgaged Property so to prevent waste; execute leases within or beyond the period of receivership, and perform the terms of this Mortgage and apply the Rents and Profits as hereinafter provided.

The appointment of a receiver and/or the collection of such Rents and Profits and the application thereof as aforesaid shall not cure or waive any default or waive, modify or affect notice of default under this Mortgage or invalidate any act done pursuant to said notice, nor in any way operate to prevent Mortgagee from pursuing any other remedy which it may now or hereafter have under the terms of this Mortgage nor shall it in any way be deemed to constitute Mortgagee a mortgagee-in-possession. The rights and powers of Mortgagee hereunder and any receiver appointed hereunder shall remain in full force and effect both prior to and after any foreclosure of this Mortgage and any sale pursuant thereto and until expiration of the period of redemption from said sale, regardless of whether a deficiency remains from said sale. The purchaser at any foreclosure sale, including Mortgagee, shall have the right, at any time and without limitation as provided in Minn. Stat. § 582.03 or other applicable law, to advance money to any receiver appointed hereunder to pay any part or all of the items which the receiver would otherwise be authorized to pay if cash were available from the Mortgaged Property and the sum so advanced, with interest at the rate then in effect under the terms of the Loan Agreement, shall be a part of the sum required to be paid to redeem from any foreclosure sale. The rights hereunder shall in no way be dependent upon and shall apply without regard to whether the Mortgaged Property is in danger of being lost, materially injured or damaged or whether the Mortgaged Property is adequate to discharge the indebtedness secured hereby.

The Mortgagee shall apply all Rents and Profits collected by the Mortgagee as provided in Minnesota Statutes, Section 576.25, subdivision 5 and any amounts remaining thereafter, shall be applied to the amounts payable under the Indenture and the Loan Agreement and all other indebtedness secured hereby in such order as set forth in the Indenture. Neither the exercise of any right under this Section 3.4 by the Mortgagee nor the application of any such Rents and Profits to the indebtedness and other sums secured hereby shall cure or waive any default or notice of default or invalidate any act pursuant hereto, but the rights herein granted shall be cumulative of all other rights and remedies.

Receipt by the Mortgagee of Rents shall not constitute a waiver of any right that the Mortgagee may enjoy under this Mortgage or under the laws of the State, nor shall the receipt and application thereof cure any Event of Default hereunder nor affect any foreclosure proceeding or any sale authorized by this Mortgage and the laws of the State. There shall be no merger of any leasehold estate with the fee estate of the Mortgagor Property without the prior written consent of the Mortgagee.

The Mortgagor covenants and agrees that it shall (a) timely observe and perform all of its obligations with respect to the Leases, including without limitation its obligations as lessor under any lease, and shall not do or permit to be done anything to impair the Mortgagor's right to receive the same; (b) timely enforce or secure the performance of, at its sole costs and expense, every obligation of the Issuer to the Mortgagor under the Leases; (c) not collect any of the Rents and Profits herein assigned in advance of the time when the same become due under the terms of the Leases; (d) not waive or release any lessee from its respective obligation under any lease or other instrument evidencing same except in the ordinary course of the Mortgagor's business; and (e) except in accordance with the terms of the Leases and this Mortgage, and in the ordinary course of the Mortgagor's business, not execute any other assignment thereof or alter, modify or change the terms of any such obligation or cancel, terminate, or accept the surrender of the same.

Should the Mortgagor fail to make any payment or perform any obligation required pursuant to this Section, and after expiration of any applicable cure period, the Mortgagee may elect to make such payment (but shall have no obligation to do so) or perform such obligation, in which event all sums expended by the Mortgagee in making such payment or performing such obligation, together with interest in an amount equal to the Default Rate from the date that such expense is incurred by the Mortgagee to the date of payment to the Mortgagee. Any amount so expended by the Mortgagee, together with interest thereon as herein provided, shall constitute part of the indebtedness secured hereby.

Notwithstanding the foregoing, the Mortgagor shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability of the Company under the Leases; provided, however, any such liability, loss or damage, including costs, expenses and reasonable attorneys' fees incurred in defending against any such claim, shall constitute part of the indebtedness secured hereby.

(The remainder of this page is intentionally left blank.)

ARTICLE IV

REMOVAL OF MORTGAGED PROPERTY; REPRESENTATIONS AND WARRANTIES; ADDITION OF IMPROVEMENTS TO LIEN OF MORTGAGE; RELEASE [AND PARTIAL RELEASE]

Section 4.1 Removal of Mortgaged Property. The Mortgagor will not physically move any portion of the Mortgaged Property or relocate any portion necessarily incident to its operations to any site which is not a part of the Mortgaged Property unless this Mortgage is appropriately amended to include such site within the lien hereof, provided that unnecessary or obsolete personal property may be removed in accordance with the provisions of the Loan Agreement.

Section 4.2 Representations and Warranties of Mortgagor. The Mortgagor represents, warrants, covenants and agrees that it is duly organized, validly existing and in good standing under the laws of the State, and has all requisite power and authority to conduct its business, to own its properties, and to execute and deliver, and to perform all of its obligations under this Mortgage and any other instrument evidencing and/or securing the indebtedness secured hereby. The execution, delivery, and performance of this Mortgage has been duly authorized by all necessary action (corporate or otherwise) and does not (i) require any consent or approval which has not been obtained; (ii) violate any provisions of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award having applicability to the Mortgagor or any other person executing and delivering such instrument or other document; or (iii) result in a breach of, or constitute a default under, any indenture or loan agreement, mortgage, or any other agreement, lease or instruments to which the Mortgagor or such other person or entity is a party or by which it or its properties may be bound or affected. This Mortgage and all other documents being executed in connection herewith constitute the legal, valid and binding obligations of the Mortgagor, and any other person executing the same, as the case may be, enforceable against it or them in accordance with their respective terms. The Mortgagor agrees that until all indebtedness secured hereby is paid in full and all covenants and agreements of the Mortgagor are performed and satisfied, the Mortgagor shall at all times maintain in the State a registered office and a registered agent for the purpose of receiving service of process on behalf of the Mortgagor, all duly registered with the State. The Mortgagor shall perform, observe and comply with all provisions hereof and of the landlord under the Leases.

Section 4.3 Addition of Improvements to Lien of Mortgage. All buildings, structures or improvements which may be acquired or constructed by the Mortgagor subsequent to the date hereof and which are located on the real estate described in EXHIBIT A attached hereto, all property of every kind or nature added to or installed in building, structure or improvement located on said land, and all equipment located on said land, acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further conveyance or assignment, become subject to the mortgage, lien and security interest of this Mortgage. Nevertheless, the Mortgagor, will do, execute, acknowledge, and deliver all and every such further actions, conveyances and assurances as the Mortgagee shall require for accomplishing the purpose of this Section.

Section 4.4 Release. Upon (i) payment in full of the Series 2023A Bonds (so that such Series 2023A Bonds are no longer Outstanding under the Indenture), (ii) all amounts due the Mortgagee under this Mortgage or under the Loan Agreement, and (iii) all other obligations secured by this Mortgage, this Mortgage shall be released of record, and the Mortgagee agrees to execute a release of this Mortgage at the sole cost and expense of the Mortgagor.

Section 4.5. [Partial Release of Mortgaged Property. [The Loan Agreement does not allow for this. Delete?] Solely upon compliance with the Loan Agreement and upon the prior written consent of the Majority Bondholder, the Mortgagor may sell a portion of the Land that is not improved with any

permanent structure or vertical improvement necessary for the operating unity and efficiency of the multifamily housing development (the “Released Property”). Any and all proceeds from the sale of the Released Property shall be expended within two years of the sale of such Released Property for capital costs of the Project or to redeem a portion of the Series 2023A Bonds. The Trustee shall have no duty to determine whether the Released property has been sold for fair market value in an arm’s length transaction to a buyer satisfying the conditions of this paragraph.

Upon sale of the Released Property in compliance with the Loan Agreement, the lien of this Mortgage shall be released with respect to the Released Property. To effectuate such sale and release of the lien on the Released Property, the Mortgagee shall execute a Partial Release of Mortgage and Assignment (the “Partial Release”) in a form reasonably acceptable to the Mortgagee, acting with the advice of counsel at the sole cost and expense of the Mortgagor.]

(The remainder of this page is intentionally left blank.)

ARTICLE V

MISCELLANEOUS

Section 5.1 Miscellaneous.

(a) No delay or omission of the Mortgagee or of any holder of the Series 2023A Bonds to exercise any right, power or remedy accruing upon any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to waive any such Event of Default or to constitute acquiescence therein. Every right, power and remedy given to the Mortgagee may be exercised from time to time and as often as may be deemed expedient by the Mortgagee.

(b) If the Mortgagee has proceeded to enforce any right or remedy under this Mortgage by foreclosure, entry or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Mortgagee, then, at the option of the Mortgagee, the Mortgagor and the Mortgagee shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of the Mortgagee shall continue as if no such proceeding had occurred or had been taken.

(c) No right, power or remedy conferred upon or reserved to the Mortgagee by the Indenture, the Loan Agreement, this Mortgage, or any other Security Agreement is exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or under the Indenture, the Loan Agreement, this Mortgage, or any other Security Agreement, now or hereafter existing at law, in equity or by statute and may be exercised as often as occasion therefor shall arise, all to the maximum extent permitted by law. The Mortgagee's pursuit of any remedy shall not preclude pursuit of any other remedy until the Mortgagee shall have recovered all sums due the Mortgagee, together with interest thereon at the Default Rate and all costs of collection, including reasonable attorneys' fees and appellate attorneys' fees, with interest thereon at the Default Rate.

(d) In the event that any of the covenants, agreements, terms or provisions contained in this Mortgage shall be invalid, illegal or unenforceable in any respect, the validity of the remaining covenants, agreements, terms or provisions contained herein shall be in no way affected, prejudiced or disturbed thereby and the provision deemed invalid, illegal or unenforceable shall be severed herefrom.

(e) The acceptance by the Mortgagee of any payment which is less than full payment of all amounts due and payable at the time of such payment, even if made by one other than the Mortgagor, shall not constitute a waiver of the Mortgagee's right to exercise its option to declare all amounts payable under the Indenture, Series 2023A Bonds, or Loan Agreement, then remaining unpaid, together with all accrued interest thereon, immediately due and payable without notice or to exercise any other rights of the Mortgagee except and as to the extent otherwise provided by law or this Mortgage.

(f) THE MORTGAGOR AND, BY ITS ACCEPTANCE HEREOF, THE MORTGAGEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS MORTGAGE, AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING,

STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE MORTGAGEE ENTERING INTO THE INDENTURE AND THE SECURITY AGREEMENTS TO WHICH IT IS A PARTY, PURSUANT TO WHICH THE MORTGAGOR RECEIVES A SUBSTANTIAL AND MATERIAL BENEFIT.

(g) Time is of the essence of all provisions of this Mortgage.

(h) The Mortgagor represents and warrants that the Mortgaged Property does not include real estate used for residential purposes by the Mortgagor and that no portion of the Mortgaged Property (i) is in “agricultural use” (as defined in Minnesota Statutes, Section 40A.02, subdivision 3, or any successor statute thereto, as the same may be amended from time to time); (ii) is being used for an “agricultural purpose” (as defined in Minnesota Statutes, Section 273.13, subdivision 23, or any successor statute thereto, as the same may be amended from time to time); (iii) is being used for the production, grading, sorting or packaging of “agricultural products” (as defined in Minnesota Statutes, Section 273.13, subdivision 23, or any successor statute thereto, as the same may be amended from time to time); (iv) is classified for ad valorem tax purposes as class 2b rural or agricultural non-homestead property under Minnesota Statutes, Section 273.13, subdivision 23, or any successor statute thereto, as the same may be amended from time to time); (v) is being used in the production of agricultural products or crops, livestock or livestock products, milk or milk products or fruit or other horticultural products (collectively, “Farming”) or (vi) is capable of being used for Farming.

(i) There are no individual sewage treatment systems on or serving the Mortgaged Property, within the meaning of Minnesota Statutes, Section 115.55, or any successor statute thereto, as the same may be amended from time to time.

(j) In the event any provision of this Mortgage requires the approval, consent, or action by the Mortgagee, the Mortgagee must undertake to grant or deny such approval or consent, or perform such action, only subject to and as directed by the terms of the Indenture, and may, in the Mortgagee’s and sole discretion, require direction of the Majority Bondholders prior to undertaking any such approval, consent, or action.

Section 5.2 Recording and Title Insurance. The Mortgagor will cause this Mortgage and all supplements hereto and any other instruments of further assurance to be promptly recorded, filed, and registered, and at all times to be recorded, filed, and registered, in such manner and in such places as may be required by law fully to preserve and protect the rights of the Mortgagee hereunder as to all Mortgaged Property.

The Mortgagor will obtain, and upon request, furnish to the Mortgagee simultaneously with the recordation and filing of this Mortgage, an ALTA form of Mortgagee insurance policy providing insurance in the initial principal amount of the Series 2023A Bonds, naming the Mortgagee as mortgagee, insuring that the Mortgagor has good and marketable fee simple title to the real estate comprising the Mortgaged Property, subject only to this Mortgage and Permitted Encumbrances as defined herein.

Section 5.3 Binding Effect; Mortgage Covenants. All terms, covenants, conditions, and agreements of the Mortgagor contained herein or set forth in this Mortgage shall be binding upon the Mortgagor, its successors and assigns, and every covenant, condition and agreement herein contained or set forth in the Loan Agreement or the Indenture in favor of the Mortgagee shall apply to and inure to the benefit of the Mortgagee, its successors or assigns. This Mortgage is expressly made subject to all terms, conditions, covenants, and agreements set forth in the Loan Agreement and the Indenture. The

representations and warranties made in this Mortgage shall survive the closing of the financing transaction contemplated hereby and remain valid and effective for the term of this Mortgage. The representations and warranties made in this Mortgage shall survive the closing of the financing transaction contemplated hereby and remain valid and effective for the term of this Mortgage.

This Mortgage shall be governed by the laws of the State. This Mortgage contains Minnesota mortgage covenants and is subject to Minnesota statutory mortgage conditions for the breach of which it is subject to foreclosure as required by law.

Section 5.4 Amendments. Except as provided in Section 4.5 hereof and Article XII of the Indenture, this Mortgage may not be amended. Neither this Mortgage nor any term hereof may be changed, waived, discharged or terminated orally, or by any action or inaction, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

Section 5.5 Use of Mortgaged Property; Redemption; Insurance. It is recognized by the parties hereto that unless and until an Event of Default shall have occurred under the Loan Agreement, and the Mortgagee shall have exercised one of the remedies under Article II hereof, the Mortgagor shall have the unencumbered right to the use of the Mortgaged Property in the ordinary course of its business, subject to the Loan Agreement. The Mortgagor has agreed in Article IV of the Loan Agreement to maintain specific types of insurance in specific amounts.

Section 5.6 Exercise of Mortgagee Rights. All proceeds obtained by the Mortgagee in the exercise of rights and remedies hereunder shall be applied as set forth in Article VIII of the Indenture.

Section 5.7 This Instrument Is a Fixture Financing Statement. As to those items of Mortgaged Property that are, or are to become fixtures related to the real estate mortgaged herein, and all products and proceeds thereof, this instrument shall be deemed to be a Fixture Financing Statement within the meaning of the Minnesota Uniform Commercial Code, and following is information concerning the Fixture Financing Statement:

Name and Address of Debtor:	Roers Fridley Apartments Owner II LLC c/o Roers Companies Two Carlson Parkway N Suite 400 Plymouth, MN 55447 Attn: Andy Bollig, Brian Roers, and Lara Page
Name and Address of Secured Party:	U.S. Bank Trust Company, National Association 60 Livingston Avenue St. Paul, MN 55107 Attn: Martha Earley
Description of the Types (or items) of property covered by this Financing Statement:	See Section 2.1 hereof
Description of real estate to which all or a part of the collateral is attached or upon which it is located:	See EXHIBIT A attached hereto.

Some of the above-described collateral is or is to become fixtures or trade fixtures upon the real estate described upon EXHIBIT A hereto, and this Financing Statement is to be filed for record in the real estate records of Anoka County, Minnesota.

Section 5.8 Counterparts. This Mortgage may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.9 Notices. All notices, certificates or other communication required to be given to the Mortgagor and the Mortgagee in accordance with the provisions of this Mortgage shall be given to those parties at the addresses set forth in Section 5.7 hereof or at such other addresses as the parties may direct by written notice to each other.

Section 5.10 Assignment. The obligations of the Mortgagor under this Mortgage may be assigned to the transferee upon a transfer permitted under the Loan Agreement.

Section 5.11 Additional Covenants. The Mortgagor hereby covenants and agrees well and truly to abide by, perform and be governed and restricted by each and all of the matters provided for by the Loan Agreement and the Indenture and so incorporated herein to the same extent and with the same force and effect as if each and all of said representations, warranties, terms, provisions, restrictions, covenants, and agreements so incorporated hereby by reference were set out and repeated herein at length. Any provisions governing the rights, immunities and protections of the Trustee under the Loan Agreement and the Indenture are incorporated by reference into this Mortgage as being applied to the Mortgagee as though fully set forth herein.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Mortgagor and the Mortgagee have caused this Mortgage, Security Agreement, Assignment of Rents and Fixture Filing Statement to be executed on their respective behalf as of the date and year first written above.

ROERS FRIDLEY APARTMENTS OWNER II LLC,
a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member II
LLC, a Minnesota limited liability company
Its: Managing Member

By: _____
Name: _____
Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by _____, the _____ of Roers Fridley Apartments Managing Member II LLC, a Minnesota limited liability company, on behalf of the Mortgagor.

Notary Public

(SEAL)

(Signature page to Mortgage re City of Fridley, Minnesota Multifamily Housing Revenue Bonds
(Moon Plaza Project), Series 2023A)

Execution page of the Mortgage to the Mortgage, Security Agreement, Assignment of Rents and Fixture Filing Statement, dated as of the date and year first written above.

CITY OF FRIDLEY, MINNESOTA

By: _____
Scott J. Lund
Mayor

By: _____
Walter T. Wysopal
City Manager

STATE OF MINNESOTA)
)ss.
COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by Scott J. Lund, the Mayor of the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, on behalf of the Mortgagee.

Notary Public

(SEAL)

STATE OF MINNESOTA)
)ss.
COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by Walter T. Wysopal, the City Manager of the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, on behalf of the Mortgagee.

Notary Public

(SEAL)

(Signature page to Mortgage re City of Fridley, Minnesota Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023A)

EXHIBIT A

LEGAL DESCRIPTION

The real property situated in the City of Fridley, County of Anoka, State of Minnesota, described as follows:

[To be added]

EXHIBIT B

PERMITTED ENCUMBRANCES

1. The lien of all taxes payable in the year 2023 and subsequent years, a lien not yet due and payable.
2. [To be added]

ASSIGNMENT OF MORTGAGE

Form No. 47-M
 Miller-Davis Co., Minneapolis (10-3-86)

By Corporation or Partnership

Minnesota Uniform Conveyancing Blanks (1986)

ASSIGNMENT OF MORTGAGE

Date: June __, 2023

(reserved for recording data)

FOR VALUABLE CONSIDERATION, City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota (the "Assignor"), hereby sells, assigns and transfers to U.S. Bank Trust Company, National Association, a national banking association, whose mailing address is 60 Livingston Avenue, St. Paul, Minnesota 55107, as trustee (the "Assignee"), all of Assignor's interest in the Mortgage, Security Agreement, Assignment of Rents and Fixture Financing Statement, dated as of June 1, 2023 (the "Mortgage"), from Roers Fridley Apartments Owner II LLC, as mortgagor, to Assignor, as mortgagee, recorded in the Office of the County Recorder of Anoka County, on _____, 2023, as **Document No.** _____, together with all right and interest in the obligations therein specified and the debt thereby secured that there is due and unpaid debt secured by the Mortgage the sum of \$[PAR A], with the interest thereon and a prepayment premium of \$0.00, and that Assignor has the right to sell, assign and transfer the same to the Assignee.

ASSIGNOR:

CITY OF FRIDLEY, MINNESOTA

By: _____
 Scott J. Lund
 Mayor

By: _____
 Walter T. Wysopal
 City Manager

STATE OF MINNESOTA)
)ss.
 COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by Scott J. Lund, the Mayor of the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, on behalf of the Mortgagee.

 Notary Public

(SEAL)

STATE OF MINNESOTA)
)ss.
 COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by Walter T. Wysopal, the City Manager of the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, on behalf of the Mortgagee.

 Notary Public

(SEAL)

THIS INSTRUMENT WAS DRAFTED BY

Ballard Spahr LLP (BWJ)
 2000 IDS Center
 80 South 8th Street
 Minneapolis, Minnesota 55402

First Draft
June __, 2023

This instrument drafted by:

Ballard Spahr LLP (BWJ)
 2000 IDS Center
 80 South Eighth Street
 Minneapolis, Minnesota 55402

**SUBORDINATE MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND
 FIXTURE FINANCING STATEMENT**

between

**ROERS FRIDLEY APARTMENTS OWNER II LLC,
 as Mortgagor**

and

**CITY OF FRIDLEY, MINNESOTA,
 as Mortgagee**

Dated as of June 1, 2023

Relating to:

**\$(PAR A)
 City of Fridley, Minnesota
 Multifamily Housing Revenue Bonds
 (Moon Plaza Project)
 Taxable Series 2023C**

This Subordinate Mortgage, Security Agreement, Assignment of Rents and Fixture Financing Statement (this "Mortgage") constitutes a fixture financing statement under Minnesota Statutes, Section 336.9-102, as amended, and contains after-acquired property provisions. The maximum indebtedness secured by this Subordinate Mortgage is \$[_____] and matures on June 1, 2063.

THIS SUBORDINATE MORTGAGE IS EXEMPT FROM MORTGAGE REGISTRY TAX IMPOSED BY MINN. STAT. SECTION 287.035 PURSUANT TO MINN. STAT. SECTION 287.04(6).

TABLE OF CONTENTS

	<u>Page</u>
PARTIES	1
RECITALS	1
ARTICLE I — DEFINITIONS.....	2
Section 1.1. Definitions	2
ARTICLE II — SUBORDINATE MORTGAGE AND SECURITY INTEREST	4
Section 2.1. Subordinate Mortgage and Security Interest.....	4
Section 2.2. Payments and Performances Secured	6
Section 2.3. Remedies Upon Event of Default	6
Section 2.4. Right of Entry	9
Section 2.5. [Reserved].....	9
Section 2.6. Acknowledgment of Waiver of Hearing Before Sale	9
Section 2.7. Waiver of Redemption, Notice and Marshalling of Assets	10
Section 2.8. Other Rights During an Event of Default	10
ARTICLE III — REPRESENTATIONS, COVENANTS AND PERMITTED ENCUMBRANCES.....	12
Section 3.1. Warranty of Title	12
Section 3.2. Permitted Encumbrances	12
Section 3.3. Hazardous Materials	13
Section 3.4. Assignment of Leases and Rents and Profits.....	13
ARTICLE IV REMOVAL OF MORTGAGED PROPERTY; REPRESENTATIONS AND WARRANTIES; ADDITION OF IMPROVEMENTS TO LIEN OF SUBORDINATE MORTGAGE; RELEASE AND PARTIAL RELEASE	16
Section 4.1. Removal of Mortgaged Property	16
Section 4.2. Representations and Warranties of Mortgagor.	16
Section 4.3. Addition of Improvements to Lien of Subordinate Mortgage	16
Section 4.4. Release	16
Section 4.5. Partial Release of Mortgaged Property	16
ARTICLE V MISCELLANEOUS	18
Section 5.1. Miscellaneous	18
Section 5.2. Recording and Title Insurance	19
Section 5.3. Binding Effect; Mortgage Covenants	19
Section 5.4. Amendments	20
Section 5.5. Use of Mortgaged Property; Redemption; Insurance	20
Section 5.6. Exercise of Mortgagee Rights.....	20
Section 5.7. This Instrument Is a Fixture Financing Statement	20
Section 5.8. Counterparts.....	21
Section 5.9. Notices	21
Section 5.10. Assignment	21
Section 5.11. Additional Covenants	21
SIGNATURES.....	S-1
EXHIBIT A — LEGAL DESCRIPTION.....	A-1
EXHIBIT B — PERMITTED ENCUMBRANCES.....	B-1

**SUBORDINATE MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS
AND FIXTURE FINANCING STATEMENT**

THIS SUBORDINATE MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND FIXTURE FINANCING STATEMENT, dated as of June 1, 2023 (as amended or supplemented, the “Subordinate Mortgage”), is between ROERS FRIDLEY APARTMENTS OWNER II LLC, a Minnesota limited liability company, as mortgagor (or any successor thereto, the “Company” or “Mortgagor”), and the CITY OF FRIDLEY, MINNESOTA, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, as mortgagee (or any successor thereto, the “Issuer” or “Mortgagee”). This Subordinate Mortgage is for the benefit of the Mortgagee and for the registered owners of the Series 2023A Bonds (defined below).

RECITALS

WHEREAS, pursuant to the terms of an Indenture of Trust, dated as of June 1, 2023 (the “Indenture”), between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), the Issuer issued its Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023C (the “Series 2023C Bonds”), in the original aggregate principal amount of \$[PAR C], and loaned the proceeds thereof to the Company, pursuant to the terms of a Loan Agreement, dated as of June 1, 2023 (the “Loan Agreement”), and applied by the Company to finance a portion of (i) the acquisition and construction of an approximately 250,000 square foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6257 University Avenue Northeast in the City of Fridley, Minnesota (the “Project”), (ii) fund capitalized interest for the Series 2023C Bonds; and (iii) pay the costs of issuance of the Series 2023C Bonds; and

WHEREAS, simultaneously with the issuance of the Series 2023C Bonds, the Issuer will issue its (i) Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023A (the “Series 2023A Bonds”), in the original aggregate principal amount of \$[PAR A], and (ii) Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023B (the “Series 2023B Bonds”), in the original aggregate principal amount of \$[PAR B]; however, the Series 2023A Bonds and Series 2023B Bonds are not secured under this Subordinate Mortgage; and

WHEREAS, this Subordinate Mortgage is subordinate to the lien of the Mortgage, Security Agreement, Assignment of Rents and Fixture Financing Statement, dated as of June 1, 2023 (the “Senior Mortgage”), by and between the Company, as mortgagor, and the Issuer, as mortgagee, which secures the payment of debt service on the Series 2023A Bonds; and

To secure payment of the Series 2023C Bonds, the interest of the Issuer this Subordinate Mortgage will be assigned from the Issuer to the Trustee pursuant to the terms of an Assignment of Mortgage, dated as of June 1, 2023 (the “Assignment”).

WHEREAS, the Series 2023C Bonds have a final maturity date of June 1, 20[]; and

WHEREAS, the Issuer’s interests in the Loan Agreement, except for certain reserved rights, have been assigned to the Trustee; and

WHEREAS, under the terms of the Loan Agreement, the Company has covenanted, among other things, to make loan repayments sufficient to pay the principal of and interest on the Series 2023C Bonds when due; and

NOW THEREFORE, the Mortgagor and the Mortgagee hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The terms defined in this Article I shall for all purposes of this Subordinate Mortgage have the meanings herein specified or those meanings specified in the Indenture, unless the context clearly requires otherwise:

Bonds means the Series 2023A Bonds, the Series 2023B Bonds, the Series 2023C Bonds, and any Additional Bonds issued under the Indenture.

Company means the Mortgagor, and any successor owner of the Mortgaged Property who agrees to be bound by this Subordinate Mortgage.

Environmental Regulation has the meaning provided in Section 3.3 hereof.

Event of Default means any event defined as such in the Loan Agreement, the Indenture, or this Subordinate Mortgage.

Hazardous Substance has the meaning provided in Section 3.3 hereof.

Indenture means the Indenture of Trust, dated as of June 1, 2023, between the Issuer and the Trustee, as amended and supplemented from time to time.

Issuer means the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, and any successor.

Land means the same as defined in Section 2.1(a) hereof.

Leases means the same as defined in Section 2.1(g) hereof.

Loan Agreement means the Loan Agreement, dated as of June 1, 2023, between the Issuer and the Company, as amended or supplemented from time to time.

Loan Repayments means the payments required to be made by the Company pursuant to the Loan Agreement.

Mortgaged Property means all real estate, buildings, equipment, and other interests as more particularly described in subsections (a) through (i), inclusive, of Section 2.1 of this Subordinate Mortgage, including the real estate described in EXHIBIT A attached to this Subordinate Mortgage.

Mortgagee means the Issuer.

Mortgagor has the meaning ascribed in the recitals hereto, and any successor owner of the Mortgaged Property who agrees to be bound by this Subordinate Mortgage.

Permitted Encumbrances means those encumbrances set forth in Section 3.2 hereof and listed in EXHIBIT B attached hereto.

Pledged Accounts means the right to receive all receipts, revenues, and income derived by the Mortgagor, or on behalf of the Mortgagor by the Issuer or the Trustee or a receiver, from any source whatsoever, including, without limiting the generality of the foregoing, revenues derived from the leasing

or operation of the Mortgaged Property, whether in the form of accounts receivable, contract rights, general intangibles, or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence.]

Project has the meaning ascribed in the recitals hereto.

Released Property means any Mortgaged Property released from this Subordinate Mortgage pursuant to the provisions of Section 4.5 of this Subordinate Mortgage.

Series 2023A Bonds has the meaning ascribed in the recitals hereto.

Series 2023B Bonds has the meaning ascribed in the recitals hereto.

Series 2023C Bonds has the meaning ascribed in the recitals hereto.

State means the State of Minnesota.

Subordinate Mortgage means this Subordinate Mortgage, Security Agreement, Assignment of Rents and Fixture Financing Statement, dated as of June 1, 2023, between the Mortgagor and the Mortgagee, as amended and supplemented from time to time.

Trustee means U.S. Bank Trust Company, National Association, a national banking association, and any successor trustee under the Indenture.

UCC Collateral means the same as defined in Section 2.3(e) below.

(The remainder of this page is intentionally left blank.)

ARTICLE II

SUBORDINATE MORTGAGE AND SECURITY INTEREST

Section 2.1 Subordinate Mortgage and Security Interest. In order to secure, and as security for, (i) the making of the Loan Repayments by the Mortgagor to the Mortgagee for the account of the Issuer, and assigned to the Trustee for the benefit of registered owners of the Series 2023C Bonds, pursuant to the Loan Agreement, and (ii) the performance and observance by the Mortgagor of all of the other covenants, agreements, representations, warranties and conditions contained herein, in the Indenture, in the Loan Agreement, or in any security document set forth in the Loan Agreement, the Mortgagor by these presents does hereby sell, assign, mortgage, grant, convey, transfer, pledge, set over and confirm unto the Mortgagee, and its successors and assigns forever, with power of sale, and grant a lien on and a security interest in the Mortgaged Property, consisting of all and singular the following described premises and property of the Mortgagor:

(a) That real estate lying and being in the City of Fridley, Anoka County, Minnesota, described in EXHIBIT A (the “Land”) attached hereto and made a part hereof as though set forth in full herein;

(b) All buildings, improvements, structures, and appurtenances now standing, or at any time hereafter constructed or placed upon the Land and made a part hereof as though set forth in full herein or any part thereof, including all right, title, and interest of the Mortgagor in and to all building material, plants, fixtures, and trade fixtures of every kind and nature whatsoever on said premises or in any building now or hereafter standing on said real estate, or any part thereof;

(c) The reversion or reversions, remainder or remainders, in and to the Land and each and every part thereof, together with the entire interest of the Mortgagor in and to all and singular the tenements, hereditaments, easements, rights, privileges and appurtenances to said real estate belonging or in any way appertaining thereto;

(d) All the estate, right, title, interest, claim, or demand whatsoever of the Mortgagor, either in law or in equity in possession or expectancy, of, in and to the Land, it being the intention of the parties hereto that so far as may be permitted by law, all tangible personal property now owned or hereafter acquired by the Mortgagor and affixed to or attached to said real estate shall be deemed to be, and shall be considered as, fixtures and appurtenances to said real estate of the Mortgagor;

(e) All of the Mortgagor’s right, title, and interest, if any, in and to any streets, rights-of-way, and alleys on or adjoining the Land;

(f) All and singular the furniture, goods, equipment, machinery, inventory, and other tangible personal property owned by the Mortgagor used or suitable for use in the operation or maintenance of the Land and located on the Land, and any items of furniture, goods, equipment, machinery, inventory and other tangible personal property acquired and installed on the Land in addition thereto or in substitution or replacement therefor, and any proceeds of the same, less any such item as may be released from the lien of this Subordinate Mortgage pursuant to the terms hereof or of the Loan Agreement;

(g) All leases, including without limitation insurance contracts pertaining to the occupancy, use, possession or enjoyment of all or any part of the Mortgaged Property, now or hereafter entered into, and any modification, renewal or extension thereof, and all guarantees of the

lessees', tenants', or occupants' obligations thereunder, including without limitation deposits of cash or securities (collectively, the "Leases"), and all of the rents, royalties, issues, profits, revenue, income, unearned insurance premiums and other benefits hereafter accruing under any Leases or otherwise arising from the ownership, occupancy, use, possession or enjoyment of all or any part of the Mortgaged Property (collectively, the "Rents and Profits");

(h) All (a) awards or payments, including interest thereon and the right to receive the same, growing out of or resulting from any exercise of the power of eminent domain (including the taking of all or any part of the Mortgaged Property, or any alteration of the grade of any street upon which the Mortgaged Property abuts, or any other injury to, taking of, or decrease in the value of the Mortgaged or any part thereof); (b) any unearned premiums on any hazard, casualty, liability, or other insurance policy carried for the benefit of the Mortgagor and/or the Mortgagee with respect to the Mortgaged Property; and (c) all rights of the Mortgagor in, to, under, by virtue of, arising from or growing out of any and all present or future contracts, instruments, accounts, insurance policies, permits, licenses, plans, appraisals, reports, paid fees, choses-in-action, accounts receivable, subdivision restrictions or declarations or other intangibles whatsoever now or hereafter dealing with, affecting or concerning the Mortgaged Property, the improvements thereto, or any portion thereof or interest therein, including but not limited to (i) all contracts, plans and permits for or related to the Mortgaged Property or its development or the construction or refurbishing of improvements on the Mortgaged Property; (ii) any agreements for the provision of utilities to the Mortgaged Property; (iii) all payment, performance and/or other bonds; (iv) any contracts now existing or hereafter made for the sale by Mortgagor of all or any portion of the Mortgaged Property, including any deposits paid by any purchasers (howsoever such deposits may be held) and any proceeds of such sales contracts, including any purchase-money notes and mortgages made by such purchasers; (v) any declaration of condominium, restrictions, covenants, easements or similar documents now or hereafter recorded against the title to all or any portion of the Mortgaged Property; and (vi) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including without limitation proceeds of insurance and condemnation awards;

(i) All of the Mortgagor's rights to enter into any lease or lease agreement regarding all or any part of the Mortgaged Property, and all of the Mortgagor's rights to encumber the Mortgaged Property further for debt, the Mortgagor hereby (a) representing, as of the date hereof, there are no encumbrances to secure debt prior or junior to this Subordinate Mortgage; and (b) covenanting that there are to be none as of the date when this Subordinate Mortgage is recorded (except the debt evidenced by this Subordinate Mortgage); and

(j) [All of the Mortgagor's present and future Pledged Accounts and all proceeds thereof.]

TO HAVE AND TO HOLD, all and singular, the Mortgaged Property and the rights and privileges hereby granted, mortgaged, conveyed, assigned and pledged by the Mortgagor or intended so to be, ratably unto the Mortgagee and its successors and assigns forever, in trust, nevertheless, with power of sale for the benefit and security of each and every registered owner of the Series 2023C Bonds issued under the Indenture, without preference, priority or distinction as to the participation in the lien, benefit and protection hereof of one Series 2023C Bond over or from the others, by reason of priority in the issue or negotiation of maturity thereof, or for any reason whatsoever, except as otherwise expressly provided in the Indenture or the Loan Agreement, so that each and all of such Series 2023C Bonds hereby secured shall have the same right, lien and privilege under this Subordinate Mortgage and shall be secured equally hereby;

SUBJECT, NEVERTHELESS, to Permitted Encumbrances;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Mortgagor, or its respective successors or assigns, shall well and truly pay all Loan Repayments applicable to the Series 2023C Bonds on behalf of the Issuer according to the provisions set forth in the Loan Agreement (which is by reference incorporated herein and made a part hereof with the same effect as if it were set forth in full herein) and shall also pay or cause to be paid all other sums payable under the Indenture or the Loan Agreement by the Mortgagor and the Mortgagor shall faithfully and punctually perform all other conditions, covenants and agreements set forth in the Loan Agreement on behalf of the Issuer, then these presents and the estate, lien, security interests and rights hereby granted shall cease, determine and become void, and thereupon the Mortgagee, on payment of its lawful charges and disbursements then unpaid, on demand of the Mortgagor, shall duly execute, acknowledge and deliver to the Mortgagor such instruments of satisfaction or release in respect of the Mortgaged Property as may be necessary or proper to discharge this Subordinate Mortgage of record, and if necessary shall grant, reassign and deliver to the Mortgagor, its successors or assigns, all and singular the property and interest by it hereby granted, conveyed, mortgaged and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as provided in the Loan Agreement; otherwise this Subordinate Mortgage shall be and remain in full force.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that all of the Mortgaged Property is to be held and applied, subject to the covenants, agreements and conditions set forth in the Loan Agreement and herein.

Section 2.2 Payments and Performances Secured. This Subordinate Mortgage shall cover and secure:

- (a) payment of any and all Loan Repayments pursuant to the Loan Agreement, together with any renewals or extensions thereof but only to the extent such Loan Repayments are applied or will be applied to the payment of the Series 2023C Bonds; notwithstanding anything to the contrary contained herein, the maximum principal amount secured hereby is \$[PAR C];
- (b) performance of each covenant, agreement or condition of the Mortgagor set forth in the Loan Agreement, this Subordinate Mortgage, or any other security agreement(s) executed in connection with the issuance of the Series 2023C Bonds (the “Security Agreements”); and
- (c) the payment of all other sums incurred or advanced by the Mortgagee or otherwise becoming due and payable under the provisions of the Indenture, the Loan Agreement, this Subordinate Mortgage, or any Security Agreement, together with interest thereon in accordance with the Loan Agreement, including without limitation all advances consisting of protective advances, as described in Minnesota Statutes, Section 287.05, subdivision 4, or any successor statute thereto, as the same may be amended from time to time.

The final maturity date of the debt obligations/indebtedness secured by this Subordinate Mortgage is June 1, 20[63].

Section 2.3 Remedies Upon Event of Default. If one (1) or more Events of Default shall have occurred and be continuing, the Mortgagee shall be entitled to exercise any or all of the remedies set forth or provided in the Loan Agreement, any other Security Agreements, the Indenture or herein, to the extent permitted by law, including but not limited to (i) petitioning a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate the Company or the Mortgaged Property for the benefit of the Issuer, and (ii) declaring all Loan Repayments under the Loan Agreement

applicable to the payment of the Series 2023C Bonds immediately due and payable without notice, and the Mortgagee is hereby authorized and empowered to the extent as may from time to time be permitted by law, to foreclose this Subordinate Mortgage by judicial proceedings or by advertisement with full authority to sell the Mortgaged Property at public auction and convey the same to the purchaser in fee simple in accordance with the laws of the State, and out of the money arising from such sale to retain all sums secured hereby, together with interest and all legal costs and charges of such foreclosure, which costs and charges the Mortgagor agrees to pay.

Without limiting the foregoing, upon an Event of Default the Mortgagee shall have the right, to the extent as may from time to time be permitted by law, to:

(a) Foreclose on this Subordinate Mortgage, enter and take possession of the Mortgaged Property or any part thereof without termination of the Leases, and use commercially reasonable efforts to lease for any commercial purpose or foreclose and sell the Mortgaged Property or any part thereof for the account of the Mortgagor, holding the Mortgagor liable, to the extent permitted by law, for the difference between the amounts received and the Loan Repayments and other amounts payable by the Mortgagor under the Loan Agreement or otherwise secured hereby; and

(b) Foreclose on this Subordinate Mortgage, exclude the Mortgagor from possession of the Mortgaged Property or any part thereof and use commercially reasonable efforts to lease for any commercial purpose or sell the Mortgaged Property or any part thereof to another for the account of the Mortgagor, holding the Mortgagor liable, to the extent permitted by law, for the difference between the amounts received and the Loan Repayments and other amounts payable by the Mortgagor under the Loan Agreement or otherwise secured hereby, but only such Loan Repayments as are applicable to the payment of the Series 2023C Bonds; and

(c) The Mortgagee may sell the Mortgaged Property to the highest bidder at public auction in front of the courthouse door or such other location as the sheriff may customarily conduct foreclosure sales in the county, as may be required, where the Mortgaged Property is located, either in person or by auctioneer, after having first given notice of the time, place and terms of sale, together with a description of the property to be sold, as required by Minnesota Statutes, Chapter 580 or 581, as applicable, as the same may be amended from time to time, and, upon payment of the purchase money or credit bid by the Mortgagee, the Mortgagee or any person conducting the sale for Mortgagee (including but not limited to the sheriff of the county where the Mortgaged Property is located) is authorized to execute to the purchaser at said sale a deed or sheriff's certificate of sale to the Mortgaged Property so purchased. The Mortgagee may bid at said sale and purchase the Mortgaged Property, or any part thereof, if the highest bidder therefor. At the foreclosure sale the Mortgaged Property may be offered for sale and sold as a whole without first offering it in any other manner or may be offered for sale and sold in any other manner as the Mortgagee may elect; and

(d) To the extent permitted by law, foreclose on this Subordinate Mortgage, exclude the Mortgagor from possession of the Mortgaged Property or any part thereof, and all Loan Repayments theretofore made by the Mortgagor shall be retained and applied to the payment of principal of and interest on the Series 2023C Bonds, and all interest of the Mortgagor in the Mortgaged Property shall terminate; and

(e) Exercise any remedies available to a secured party under the Minnesota Uniform Commercial Code. Upon demand by the Mortgagee, the Mortgagor shall assemble the following collateral (collectively, the "UCC Collateral"): (i) any portion of collateral subject to the Minnesota

Uniform Commercial Code, and (ii) all portions of the Mortgaged Property that may not be deemed real property or may not constitute a “fixture” within the meaning of Minn. Stat. § 336.9-102 of the Minnesota Uniform Commercial Code and all replacements, substitutions, and additions for and to the same, whether acquired now or in the future, and all products and cash and non-cash proceeds thereof. After assembling the UCC Collateral, the Mortgagor shall make it available to the Mortgagee, at a place designated by the Mortgagee. The Mortgagee or its agents may without notice from time to time enter upon the Mortgagor’s premises without causing a breach of the peace to take possession of the UCC Collateral, to remove it, to render it unusable, to process it or otherwise prepare it for sale, or to sell or otherwise dispose of it. Any written notice of the sale, disposition or other intended action by the Mortgagee with respect to the UCC Collateral which is sent by regular mail, postage prepaid, to the Mortgagor at the address of the Mortgagor which may from time to time be shown on the Mortgagee’s records or which shall be been provided by the Mortgagor to the Mortgagee in writing, at least ten (10) days prior to such sale, disposition or other action, shall constitute commercially reasonable notice to the Mortgagor. The Mortgagee may alternatively or additionally give such notice in any other commercially reasonable manner. Nothing in this Subordinate Mortgage shall require the Mortgagee to give any notice not required by applicable laws. If any consent, approval, or authorization of any state, municipal, or other governmental department, agency, or authority or of any person, or any person, corporation, partnership, or other entity having any interest therein, should be necessary to effectuate any sale or other disposition of the UCC Collateral, the Mortgagor agrees to execute all such applications and other instruments, and to take all other action, as may be required in connection with securing any such consent, approval or authorization; and

(f) Exercise any and all remedies available to Mortgagee under any other documents or agreements executed in connection with the Loan Agreement, the Indenture, any Security Agreement, and the Series 2023C Bonds or under law; and

(g) Pay the costs and expenses incurred by the Issuer, the Mortgagee, their agents and counsel, including reasonable fees and disbursements of the attorneys involved to the extent permitted by law, which shall be additional sums secured by this Subordinate Mortgage; and

(h) The Mortgagee, upon application to a court of competent jurisdiction, shall be entitled as a matter of strict right, without notice and without regard to the sufficiency or value of any security or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to operate the Company or the Mortgaged Property and to collect and apply the Rents and Profits. The receiver shall have all the rights and powers permitted under the laws of the State. The Mortgagor will pay unto the Mortgagee upon demand all expenses, including receiver’s fees, reasonable attorneys’ fees, costs and agent’s compensation, incurred pursuant to the provisions of this Section, and upon any Mortgagor’s failure to pay the same, any such amounts shall be added to the sums secured by this Subordinate Mortgage and shall bear interest at the Default Rate (as defined in the Indenture). The receiver may be appointed by an action separate from any foreclosure of this Subordinate Mortgage pursuant to Minnesota Statutes, Chapter 580 or 581, or any successor statutes thereto, as the same may be amended from time to time, or as a part of the foreclosure action under said Chapter 581 (it being agreed that the existence of a foreclosure pursuant to said Chapter 580 or a foreclosure action pursuant to said Chapter 581 is not a prerequisite to any action for a receiver hereunder). The Mortgagee shall be entitled to the appointment of a receiver without regard to waste, adequacy of the security or solvency of the Mortgagor and otherwise in accordance with the provisions of Minnesota Statutes, Chapter 576, or any successor statute thereto, as the same may be amended from time to time. The Mortgagor hereby agrees and consents to the appointment of the particular person or firm (including an officer or employee of the Mortgagee) designated by Mortgagee as receiver and hereby waives its rights

to suggest or nominate any person or firm as receiver in opposition to that designated by Mortgagee. The Mortgagee shall have the right, at any time and without limitation, as provided in Minnesota Statutes, Section 582.03, or any successor statute thereto, as the same may be amended from time to time, to advance money to the receiver to pay any part or all of the items which the receiver should otherwise pay if cash were available from the Mortgaged Property and sums so advanced, with interest at the Default Rate, shall be secured hereby, or if advanced during the period of redemption shall be part of the sum required to be paid to redeem from the sale.

The Mortgagor agrees, to the extent permitted from time to time by law, to pay to the Mortgagee any deficiency which may be assessed against the Mortgagor, such deficiency being the difference between (i) the amounts received from foreclosure of this Subordinate Mortgage and remedies pursued under the Minnesota Uniform Commercial Code or otherwise and (ii) the aggregate amount remaining unpaid as principal of and interest on the outstanding Series 2023C Bonds.

The remedies in this Subordinate Mortgage are cumulative and not exclusive of any other rights and remedies which the Trustee would otherwise have at law, in equity or by statute, and all such rights and remedies, together with all other rights and remedies of the Trustee under the Indenture, the Loan Agreement, and the other Security Agreements, are cumulative and may be exercised individually, concurrently, successively and in any order.

Section 2.4 Right of Entry. If the Mortgagee exercises one (1) of the remedies provided for in subsection (a), (b), (c), or (d) of Section 2.3 hereof, pursuant to a foreclosure of this Subordinate Mortgage, the Mortgagee may then or at any time thereafter, to the extent permitted from time to time by law, take complete and peaceful possession of the Mortgaged Property or any portion thereof, and may remove all persons therefrom, and the Mortgagor covenants in any such event, to the extent required from time to time by law, peacefully and quietly to yield up and surrender the Mortgaged Property or such portion thereof to the Mortgagee.

Section 2.5 [Reserved.]

Section 2.6 Acknowledgment of Waiver of Hearing Before Sale. The Mortgagor understands and agrees that if an Event of Default occurs under the terms of this Subordinate Mortgage, the Mortgagee has the right, inter alia, to foreclose this Subordinate Mortgage by advertisement pursuant to Minnesota Statutes, Chapter 580, as hereafter amended, or pursuant to any similar or replacement statute hereafter enacted; that if Mortgagee elects to foreclose by advertisement, it may cause the Mortgaged Property, or any part thereof, to be sold at public auction; that notice of such sale must be published for six (6) successive weeks at least once a week in a newspaper of general circulation and that no personal notice is required to be served upon the Mortgagor. The Mortgagor further understands that in the event of such default Mortgagee may also elect its rights under the Minnesota Uniform Commercial Code and take possession of the collateral, or any part thereof, and dispose of the same by sale or otherwise in one or more parcels provided that at least ten (10) days' prior notice of such disposition must be given, all as provided for by the Minnesota Uniform Commercial Code, as hereafter amended or by any similar or replacement statute hereafter enacted. The Mortgagor further understands that under the Constitution of the United States and the Constitution of the State it may have the right to notice and hearing before the Mortgaged Property may be sold and that the procedure for foreclosure by advertisement described above does not ensure that notice will be given to the Mortgagor and neither said procedure for foreclosure by advertisement nor the Minnesota Uniform Commercial Code requires any hearing or other judicial proceeding. THE MORTGAGOR HEREBY RELINQUISHES, WAIVES AND GIVES UP ANY CONSTITUTIONAL RIGHTS IT MAY HAVE TO NOTICE AND HEARING BEFORE SALE OF THE MORTGAGED PROPERTY AND EXPRESSLY CONSENTS AND AGREES THAT THE MORTGAGED PROPERTY MAY BE FORECLOSED BY ADVERTISEMENT AND THAT THE

COLLATERAL MAY BE DISPOSED OF PURSUANT TO THE MINNESOTA UNIFORM COMMERCIAL CODE, ALL AS DESCRIBED ABOVE. THE MORTGAGOR ACKNOWLEDGES THAT IT IS REPRESENTED BY LEGAL COUNSEL; THAT BEFORE SIGNING THIS DOCUMENT, THIS SECTION AND THE MORTGAGOR'S CONSTITUTIONAL RIGHTS WERE FULLY EXPLAINED BY SUCH COUNSEL AND THAT THE MORTGAGOR UNDERSTANDS THE NATURE AND EXTENT OF THE RIGHTS WAIVED HEREBY AND THE EFFECT OF SUCH WAIVER.

Section 2.7 Waiver of Redemption, Notice and Marshalling of Assets. To the fullest extent permitted by law, Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefit that might accrue to Mortgagor by virtue of any present or future statute of limitations or law or judicial decision exempting the Mortgaged Property from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment, (b) all notices of any Event of Default or of any election by Mortgagee to exercise or the actual exercise of any right, remedy or recourse provided for under any of the documents evidencing the Loan and/or indebtedness secured hereby, (c) any right to a marshalling of assets or a sale in inverse order of alienation, (d) any appraisal before a sale of any portion of the Mortgaged Property, and (e) any extension of time for the enforcement and collection of the Loan Agreement, the indebtedness secured hereby, or creating or extending a period of redemption from any sale made in collecting said debt. To the full extent Mortgagor may do so, Mortgagor agrees that the Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter enforced providing for any appraisal, evaluation, stay, extension or redemption, and Mortgagor, to the extent permitted by law, waives and releases all rights of redemption, valuation, appraisal, stay of execution or notice of election to mature or declare due the whole of this Subordinate Mortgage. Mortgagor hereby waives to the full extent lawfully allowed the benefit of any homestead laws now or hereinafter in effect.

Section 2.8 Other Rights During an Event of Default.

(a) Purchase by Mortgagee. Upon any foreclosure sale, the Mortgagee may bid for and purchase the Mortgaged Property and shall be entitled to apply all or any part of the Series 2023C Bonds as a credit to the purchase price.

(b) Mortgagor as Tenant Holding Over. In the event of any such foreclosure sale and upon the expiration of any redemption period, the Mortgagor (if the Mortgagor shall remain in possession) shall be deemed a tenant holding over and shall forthwith deliver possession to the purchaser or purchasers at such sale or be summarily dispossessed according to provisions of law applicable thereto.

(c) Waiver of Appraisal, Valuation, Etc. The Mortgagor agrees, to the full extent permitted by law, that in case of an Event of Default on the part of the Mortgagor hereunder, neither the Mortgagor nor anyone claiming through or under the Mortgagor will assert, claim or seek to take advantage of any appraisal, valuation, stay, homestead, extension, exemption or laws now or hereafter in force, in order to prevent or hinder the enforcement of foreclosure of this Subordinate Mortgage, or the absolute sale of the Mortgaged Property, or the delivery of possession thereof immediately after the expiration of redemption following such sale to the purchaser at such sale.

(d) Discontinuance of Proceedings. In case the Mortgagee shall have proceeded to enforce any right, power or remedy under this Subordinate Mortgage by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Mortgagee, then in every such case, the Mortgagor and the

Mortgagee shall be restored to their former positions and rights hereunder, and all rights, powers, and remedies of the Mortgagee shall continue as if no such proceedings had occurred.

(e) Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition, or other proceedings affecting the Mortgagor, its creditors or its properties, the Mortgagee, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Mortgagee allowed in such proceedings for the entire amount due and payable by the Mortgagor under this Subordinate Mortgage at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Mortgagor hereunder after such date.

(f) Actions Without Mortgagor's Consent. The Mortgagor agrees that the Mortgagee may from time to time do any one (1) or all of the following without notice to or the consent of Mortgagor and without affecting the Mortgagee's rights or remedies against the Mortgagor or affecting the priority of this Subordinate Mortgage, or diminish or relieve in any manner any liability of the Mortgagor: (i) accept partial payment of, compromise, settle, renew, extend the time for payment or performance of, or refuse to enforce any of the Indenture, the Loan Agreement, or any Security Agreement under or in connection with this Subordinate Mortgage; (ii) grant any indulgence or forbearance to any other person under or in connection with any or all of the Security Agreements; (iii) release, waive, substitute, change, exchange or add any or all collateral securing payment of the Series 2023C Bonds, the Indenture, or the Loan Agreement or any amounts securing the Leases; (iv) release, waive, substitute change, exchange or add any one (1) or more endorsers or guarantors of any or all of the Indenture, Loan Agreement, or any Security Agreement; and (v) exercise any right or remedy with respect to the Indenture, Loan Agreement, any Security Agreement, or any collateral securing the Series 2023C Bonds, notwithstanding any effect on or impairment of the Mortgagor's subrogation, reimbursement, or other rights against any Person under or in connection with any or all of the Indenture and the Loan Agreement.

(The remainder of this page is intentionally left blank.)

ARTICLE III

REPRESENTATIONS, COVENANTS AND PERMITTED ENCUMBRANCES

Section 3.1 Warranty of Title. The Mortgagor hereby covenants and warrants that it is and will continue to be well and truly seized of good title in fee simple to the Mortgaged Property and that it has good right and lawful authority to convey and grant a lien and security interest in the same to the Mortgagee and that the title, lien, and security interest hereby conveyed is and will forever be free, clear, and unencumbered, subject, however, to Permitted Encumbrances. The Mortgagor covenants and agrees to warrant and defend its good and insurable title to the Mortgaged Property (subject to Permitted Encumbrances) and its good right and lawful authority to grant a lien and security interest in the same to the Mortgagee.

Section 3.2 Permitted Encumbrances. “Permitted Encumbrances” shall mean, with respect to the Mortgaged Property, the following:

- (a) liens for taxes, levies, assessments, utility rents, rates and charges, licenses or permits or other impositions, provided that in each case the same shall either (i) not be due and payable; (ii) not be delinquent to the extent that penalties for nonpayment may then be assessed, or the Mortgaged Property or any portion thereof, shall then be subject to forfeiture or (iii) be a lien, the amount or validity of which is being contested in good faith by the Mortgagor in accordance with the Loan Agreement;
- (b) mechanics’, workmen’s, repairmen’s, supplier’s, vendors’ or carriers’ liens or other similar liens, provided that the contract price secured by the lien is not yet due or the amount or validity of the lien shall be contested in good faith by the Mortgagor in accordance with the Loan Agreement;
- (c) financing statements naming the Issuer or the Mortgagor as debtor and naming the Issuer or the Mortgagee as secured party, filed to perfect the security interests granted by the Indenture, the Loan Agreement, and this Subordinate Mortgage;
- (d) rights of the United States or any state or political subdivision thereof (which for purposes of this definition shall include any taxing or improvement district), or other public or governmental authority or agency, to take, use or control property or to terminate any right, power, franchise, grant, license or permit previously in force;
- (e) any leases, subleases, transfers, or assignments permitted under the Loan Agreement;
- (f) the pendency or filing of any application or proceedings seeking to annex or rezone the Mortgaged Property or any portion thereof, or to include it in any political subdivision;
- (g) those liens, encumbrances, easements, servitudes, licenses, rights-of-way described in EXHIBIT B attached hereto; and
- (i) such minor defects, irregularities, encumbrances, and clouds on title as normally exist with respect to property similar in character to the Mortgaged Property and as do not, in the opinion of Independent Counsel delivered and addressed to the Trustee, materially impair the property affected thereby for the purposes of the Mortgaged Property.

Section 3.3 Hazardous Materials. The Mortgagor covenants, warrants and represents to the Mortgagee, its successors and assigns, (i) that to the best of the Mortgagor's knowledge, without independent investigation, no dangerous, toxic or hazardous pollutants, chemical wastes or substances as defined in the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA"), or the Federal Resource Conservation and Recovery Act of 1976 ("RCRA"), or the Minnesota Environmental Response and Liability Act, (the "MERLA"), or any other federal, state or local environmental laws, statutes, regulations, requirements and ordinances ("Hazardous Substance") are present on the Mortgaged Property; (ii) that, to the best of the Mortgagor's knowledge, no part of the Mortgaged Property is listed in the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or in any list of hazardous waste priorities in the State; (iii) that the Mortgagor shall not store, locate, generate, treat or discharge any Hazardous Substance in, on or from the Mortgaged Property except for cleaning and janitorial supplies, science class materials (such as chemicals used for scientific experiments), and other materials ordinarily used in the operation of a multifamily housing development and in compliance with CERCLA, RCRA, the MERLA, and other applicable federal, state or local environmental laws, statutes, regulations, requirements and ordinances (collectively, "Environmental Regulations"), as well as materials ordinarily used in motorized vehicles; and (iv) that the Mortgagor shall cause all Hazardous Substances found on or in the Mortgaged Property (including Hazardous Substances on the Mortgaged Property on the date of the issuance and delivery of the Series 2023C Bonds) to be properly removed therefrom and properly disposed of to the extent required by and in accordance with all applicable Environmental Regulations and shall comply with all applicable Environmental Regulations with respect to the Mortgaged Property. Notwithstanding the forgoing, any lessee of the Mortgaged Property shall be permitted to park motorized vehicles on or about any parking areas of the Mortgaged Property and within any building constituting part of the Mortgaged Property designated for such use. The Mortgagor agrees to indemnify and reimburse the Mortgagee, the registered owners of the Series 2023C Bonds, their successors and assigns, and any successor owner of the Mortgaged Property acquiring title upon foreclosure of this Subordinate Mortgage or deed in lieu of foreclosure, for any breach of these representations and warranties and from any loss, damage, expense or cost arising out of or incurred by them or any of them which is a result of a breach, misstatement of or misrepresentation of the above covenants, representations and warranties, together with all attorneys' fees incurred in connection with the defense of any action against the Mortgagee arising out of the above unless caused by the Mortgagee. Promptly after receipt by a person or party indemnified hereunder of notice of commencement of any action in respect of which indemnity may be sought against the Mortgagor under this Section, such person or party will notify the Mortgagor in writing of the commencement thereof and, subject to the provisions hereinafter stated, the Mortgagor shall assume the defense of such action (including the employment of counsel, who shall be counsel satisfactory to the Mortgagor and the indemnified person or party) insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against the Mortgagor. The indemnified person or party 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 Mortgagor unless the employment of such counsel has been specifically authorized by the Mortgagor. The Mortgagor shall not be liable to indemnify any person or party for any settlement of any such action effected without the Mortgagor's prior written consent. These covenants, representations and warranties are for the benefit of the Mortgagee, the registered owners of the Series 2023C Bonds, their successors and assigns, and any successor owner of the Mortgaged Property acquiring title upon foreclosure of this Subordinate Mortgage or deed in lieu of foreclosure, and shall be deemed to survive termination of this Subordinate Mortgage.

Section 3.4 Assignment of Leases and Rents and Profits. This Subordinate Mortgage constitutes an absolute and present assignment of the Leases and of the Rents and Profits and shall be fully operative without any further action on the part of either party. This assignment shall constitute a perfected, absolute and present, irrevocable, currently effective assignment of Rents and Profits within the meaning of Minnesota Statutes, Sections 559.17 and 576.25, or any successor statutes thereto, as the same may be

amended from time to time, and is intended to comply fully with the provisions thereof, and to afford the Mortgagee, to the fullest extent allowed by law, the rights and remedies of a mortgage lender or secured lender pursuant thereto. The Mortgagee shall be entitled, at its option, upon the occurrence and continuation of an Event of Default hereunder which remains uncured, to all Rents and Profits; provided, however, that so long as no Event of Default has occurred and is continuing hereunder, the Mortgagor is hereby given a revocable license to collect, receive, take, use, and enjoy all such Rents and Profits as these come due and payable, but not in advance thereof, and pursue any remedies for the enforcement of the Leases. Upon an Event of Default hereunder which remains uncured, Mortgagor's revocable license to collect the Rents and to exercise all rights, power and authority under the Leases shall immediately cease and terminate, and the Mortgagee may exercise the rights herein granted upon notifying all lessees of any part of the Mortgaged Property (the "Lessees") of the right of the Mortgagee to receive such Rents and Profits, and shall instruct such Lessees to pay the same directly to the Mortgagee without any consent from the Mortgagor being required, a copy of this instrument and a statement by the Mortgagee that this Subordinate Mortgage is in default being sufficient notice to such Lessees of the Mortgagee's rights to collect the same.

Upon or at any time during the continuance of an Event of Default, or if any material representation or warranty herein proves to be untrue, then the Mortgagee, without regard to waste, adequacy of the security or solvency of the Mortgagor, whether or not all indebtedness secured hereby is or has been declared immediately due and payable and may, at its option, without notice:

(i) in person or by agent, with or without taking possession of or entering the Mortgaged Property, with or without any action or proceeding, give or require Mortgagor to give, notice to any or all tenants under any lease authorizing and directing the tenant to pay such Rents and Profits to Mortgagee; collect all of the Rents and Profits; enforce the payment thereof and exercise all of the rights of the landlord under the leases and all of the rights of Mortgagee hereunder, may enter upon, take possession of, manage and operate said Mortgaged Property, or any part thereof; may cancel, enforce or modify the leases, and fix or modify rents, and do any acts which Mortgagee deems proper to protect the security hereof with or without taking possession of the Mortgaged Property; and/or

(ii) apply for the appointment of a receiver in accordance with the statutes and law made and provided for, which receivership Mortgagor hereby consents to, who shall collect the Rents and Profits, and all other income of any kind; manage the Mortgaged Property so to prevent waste; execute leases within or beyond the period of receivership, and perform the terms of this Subordinate Mortgage and apply the Rents and Profits as hereinafter provided.

The appointment of a receiver and/or the collection of such Rents and Profits and the application thereof as aforesaid shall not cure or waive any default or waive, modify or affect notice of default under this Subordinate Mortgage or invalidate any act done pursuant to said notice, nor in any way operate to prevent Mortgagee from pursuing any other remedy which it may now or hereafter have under the terms of this Subordinate Mortgage nor shall it in any way be deemed to constitute Mortgagee a mortgagee-in-possession. The rights and powers of Mortgagee hereunder and any receiver appointed hereunder shall remain in full force and effect both prior to and after any foreclosure of this Subordinate Mortgage and any sale pursuant thereto and until expiration of the period of redemption from said sale, regardless of whether a deficiency remains from said sale. The purchaser at any foreclosure sale, including Mortgagee, shall have the right, at any time and without limitation as provided in Minn. Stat. § 582.03 or other applicable law, to advance money to any receiver appointed hereunder to pay any part or all of the items which the receiver would otherwise be authorized to pay if cash were available from the Mortgaged Property and the sum so advanced, with interest at the rate then in effect under the terms of the Loan Agreement, shall be a part of the sum required to be paid to redeem from any foreclosure sale. The rights hereunder shall in no way be dependent upon and shall apply without regard to whether the Mortgaged Property is in danger of being

lost, materially injured or damaged or whether the Mortgaged Property is adequate to discharge the indebtedness secured hereby.

The Mortgagee shall apply all Rents and Profits collected by the Mortgagee as provided in Minnesota Statutes, Section 576.25, subdivision 5 and any amounts remaining thereafter, shall be applied to the amounts payable under the Indenture and the Loan Agreement and all other indebtedness secured hereby in such order as set forth in the Indenture. Neither the exercise of any right under this Section 3.4 by the Mortgagee nor the application of any such Rents and Profits to the indebtedness and other sums secured hereby shall cure or waive any default or notice of default or invalidate any act pursuant hereto, but the rights herein granted shall be cumulative of all other rights and remedies.

Receipt by the Mortgagee of Rents shall not constitute a waiver of any right that the Mortgagee may enjoy under this Subordinate Mortgage or under the laws of the State, nor shall the receipt and application thereof cure any Event of Default hereunder nor affect any foreclosure proceeding or any sale authorized by this Subordinate Mortgage and the laws of the State. There shall be no merger of any leasehold estate with the fee estate of the Mortgaged Property without the prior written consent of the Mortgagee.

The Mortgagor covenants and agrees that it shall (a) timely observe and perform all of its obligations with respect to the Leases, including without limitation its obligations as lessor under any lease, and shall not do or permit to be done anything to impair the Mortgagor's right to receive the same; (b) timely enforce or secure the performance of, at its sole costs and expense, every obligation of the Issuer to the Mortgagor under the Leases; (c) not collect any of the Rents and Profits herein assigned in advance of the time when the same become due under the terms of the Leases; (d) not waive or release any lessee from its respective obligation under any lease or other instrument evidencing same except in the ordinary course of the Mortgagor's business; and (e) except in accordance with the terms of the Leases and this Subordinate Mortgage, and in the ordinary course of the Mortgagor's business, not execute any other assignment thereof or alter, modify or change the terms of any such obligation or cancel, terminate, or accept the surrender of the same.

Should the Mortgagor fail to make any payment or perform any obligation required pursuant to this Section, and after expiration of any applicable cure period, the Mortgagee may elect to make such payment (but shall have no obligation to do so) or perform such obligation, in which event all sums expended by the Mortgagee in making such payment or performing such obligation, together with interest in an amount **equal to the Late Payment Rate (as defined in the Indenture)** from the date that such expense is incurred by the Mortgagee to the date of payment to the Mortgagee. Any amount so expended by the Mortgagee, together with interest thereon as herein provided, shall constitute part of the indebtedness secured hereby.

Notwithstanding the foregoing, the Mortgagor shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability of the Company under the Leases; provided, however, any such liability, loss or damage, including costs, expenses and reasonable attorneys' fees incurred in defending against any such claim, shall constitute part of the indebtedness secured hereby.

ARTICLE IV

REMOVAL OF MORTGAGED PROPERTY; REPRESENTATIONS AND WARRANTIES; ADDITION OF IMPROVEMENTS TO LIEN OF SUBORDINATE MORTGAGE; RELEASE [AND PARTIAL RELEASE]

Section 4.1 Removal of Mortgaged Property. The Mortgagor will not physically move any portion of the Mortgaged Property or relocate any portion necessarily incident to its operations to any site which is not a part of the Mortgaged Property unless this Subordinate Mortgage is appropriately amended to include such site within the lien hereof, provided that unnecessary or obsolete personal property may be removed in accordance with the provisions of the Loan Agreement.

Section 4.2 Representations and Warranties of Mortgagor. The Mortgagor represents, warrants, covenants and agrees that it is duly organized, validly existing and in good standing under the laws of the State, and has all requisite power and authority to conduct its business, to own its properties, and to execute and deliver, and to perform all of its obligations under this Subordinate Mortgage and any other instrument evidencing and/or securing the indebtedness secured hereby. The execution, delivery, and performance of this Subordinate Mortgage has been duly authorized by all necessary action (corporate or otherwise) and does not (i) require any consent or approval which has not been obtained; (ii) violate any provisions of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award having applicability to the Mortgagor or any other person executing and delivering such instrument or other document; or (iii) result in a breach of, or constitute a default under, any indenture or loan agreement, mortgage, or any other agreement, lease or instruments to which the Mortgagor or such other person or entity is a party or by which it or its properties may be bound or affected. This Subordinate Mortgage and all other documents being executed in connection herewith constitute the legal, valid and binding obligations of the Mortgagor, and any other person executing the same, as the case may be, enforceable against it or them in accordance with their respective terms. The Mortgagor agrees that until all indebtedness secured hereby is paid in full and all covenants and agreements of the Mortgagor are performed and satisfied, the Mortgagor shall at all times maintain in the State a registered office and a registered agent for the purpose of receiving service of process on behalf of the Mortgagor, all duly registered with the State. The Mortgagor shall perform, observe and comply with all provisions hereof and of the landlord under the Leases.

Section 4.3 Addition of Improvements to Lien of Subordinate Mortgage. All buildings, structures or improvements which may be acquired or constructed by the Mortgagor subsequent to the date hereof and which are located on the real estate described in EXHIBIT A attached hereto, all property of every kind or nature added to or installed in building, structure or improvement located on said land, and all equipment located on said land, acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further conveyance or assignment, become subject to the mortgage, lien and security interest of this Subordinate Mortgage. Nevertheless, the Mortgagor, will do, execute, acknowledge, and deliver all and every such further actions, conveyances and assurances as the Mortgagee shall require for accomplishing the purpose of this Section.

Section 4.4 Release. Upon (i) payment in full of the Series 2023C Bonds (so that such Series 2023C Bonds are no longer Outstanding under the Indenture), (ii) all amounts due the Mortgagee under this Subordinate Mortgage or under the Loan Agreement, and (iii) all other obligations secured by this Subordinate Mortgage, this Subordinate Mortgage shall be released of record, and the Mortgagee agrees to execute a release of this Subordinate Mortgage at the sole cost and expense of the Mortgagor.

Section 4.5. [Partial Release of Mortgaged Property. [The Loan Agreement does not allow for this. Delete?] Solely upon compliance with the Loan Agreement and upon the prior written consent of

the Majority Bondholder, the Mortgagor may sell a portion of the Land that is not improved with any permanent structure or vertical improvement necessary for the operating unity and efficiency of the multifamily housing development (the “Released Property”). Any and all proceeds from the sale of the Released Property shall be expended within two years of the sale of such Released Property for capital costs of the Project or to redeem a portion of the Series 2023C Bonds. The Trustee shall have no duty to determine whether the Released property has been sold for fair market value in an arm’s length transaction to a buyer satisfying the conditions of this paragraph.

Upon sale of the Released Property in compliance with the Loan Agreement, the lien of this Subordinate Mortgage shall be released with respect to the Released Property. To effectuate such sale and release of the lien on the Released Property, the Mortgagee shall execute a Partial Release of Mortgage and Assignment (the “Partial Release”) in a form reasonably acceptable to the Mortgagee, acting with the advice of counsel at the sole cost and expense of the Mortgagor.]

(The remainder of this page is intentionally left blank.)

ARTICLE V

MISCELLANEOUS

Section 5.1 Miscellaneous.

(a) No delay or omission of the Mortgagee or of any holder of the Series 2023C Bonds to exercise any right, power or remedy accruing upon any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to waive any such Event of Default or to constitute acquiescence therein. Every right, power and remedy given to the Mortgagee may be exercised from time to time and as often as may be deemed expedient by the Mortgagee.

(b) If the Mortgagee has proceeded to enforce any right or remedy under this Subordinate Mortgage by foreclosure, entry or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Mortgagee, then, at the option of the Mortgagee, the Mortgagor and the Mortgagee shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of the Mortgagee shall continue as if no such proceeding had occurred or had been taken.

(c) No right, power or remedy conferred upon or reserved to the Mortgagee by the Indenture, the Loan Agreement, this Subordinate Mortgage or any other Security Agreement is exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or under the Indenture, the Loan Agreement, this Subordinate Mortgage, or any other Security Agreement, now or hereafter existing at law, in equity or by statute and may be exercised as often as occasion therefor shall arise, all to the maximum extent permitted by law. The Mortgagee's pursuit of any remedy shall not preclude pursuit of any other remedy until the Mortgagee shall have recovered all sums due the Mortgagee, together with interest thereon at the Default Rate and all costs of collection, including reasonable attorneys' fees and appellate attorneys' fees, with interest thereon at the Default Rate.

(d) In the event that any of the covenants, agreements, terms or provisions contained in this Subordinate Mortgage shall be invalid, illegal or unenforceable in any respect, the validity of the remaining covenants, agreements, terms or provisions contained herein shall be in no way affected, prejudiced or disturbed thereby and the provision deemed invalid, illegal or unenforceable shall be severed herefrom.

(e) The acceptance by the Mortgagee of any payment which is less than full payment of all amounts due and payable at the time of such payment, even if made by one other than the Mortgagor, shall not constitute a waiver of the Mortgagee's right to exercise its option to declare all amounts payable under the Indenture, Series 2023C Bonds, or Loan Agreement, then remaining unpaid, together with all accrued interest thereon, immediately due and payable without notice or to exercise any other rights of the Mortgagee except and as to the extent otherwise provided by law or this Subordinate Mortgage.

(f) THE MORTGAGOR AND, BY ITS ACCEPTANCE HEREOF, THE MORTGAGEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SUBORDINATE MORTGAGE, AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith, OR ANY COURSE OF CONDUCT,

COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE MORTGAGEE ENTERING INTO THE INDENTURE AND THE SECURITY AGREEMENTS TO WHICH IT IS A PARTY, PURSUANT TO WHICH THE MORTGAGOR RECEIVES A SUBSTANTIAL AND MATERIAL BENEFIT.

(g) Time is of the essence of all provisions of this Subordinate Mortgage.

(h) The Mortgagor represents and warrants that the Mortgaged Property does not include real estate used for residential purposes by the Mortgagor and that no portion of the Mortgaged Property (i) is in “agricultural use” (as defined in Minnesota Statutes, Section 40A.02, subdivision 3, or any successor statute thereto, as the same may be amended from time to time); (ii) is being used for an “agricultural purpose” (as defined in Minnesota Statutes, Section 273.13, subdivision 23, or any successor statute thereto, as the same may be amended from time to time); (iii) is being used for the production, grading, sorting or packaging of “agricultural products” (as defined in Minnesota Statutes, Section 273.13, subdivision 23, or any successor statute thereto, as the same may be amended from time to time); (iv) is classified for ad valorem tax purposes as class 2b rural or agricultural non-homestead property under Minnesota Statutes, Section 273.13, subdivision 23, or any successor statute thereto, as the same may be amended from time to time); (v) is being used in the production of agricultural products or crops, livestock or livestock products, milk or milk products or fruit or other horticultural products (collectively, “Farming”) or (vi) is capable of being used for Farming.

(i) There are no individual sewage treatment systems on or serving the Mortgaged Property, within the meaning of Minnesota Statutes, Section 115.55, or any successor statute thereto, as the same may be amended from time to time.

(j) In the event any provision of this Subordinate Mortgage requires the approval, consent, or action by the Mortgagee, the Mortgagee must undertake to grant or deny such approval or consent, or perform such action, only subject to and as directed by the terms of the Indenture, and may, in the Mortgagee’s and sole discretion, require direction of the Majority Bondholders prior to undertaking any such approval, consent, or action.

Section 5.2 Recording and Title Insurance. The Mortgagor will cause this Subordinate Mortgage and all supplements hereto and any other instruments of further assurance to be promptly recorded, filed, and registered, and at all times to be recorded, filed, and registered, in such manner and in such places as may be required by law fully to preserve and protect the rights of the Mortgagee hereunder as to all Mortgaged Property.

The Mortgagor will obtain, and upon request, furnish to the Mortgagee simultaneously with the recordation and filing of this Subordinate Mortgage, an ALTA form of Mortgagee insurance policy providing insurance in the initial principal amount of the Series 2023C Bonds, naming the Mortgagee as mortgagee, insuring that the Mortgagor has good and marketable fee simple title to the real estate comprising the Mortgaged Property, subject only to this Subordinate Mortgage and Permitted Encumbrances as defined herein.

Section 5.3 Binding Effect; Mortgage Covenants. All terms, covenants, conditions, and agreements of the Mortgagor contained herein or set forth in this Subordinate Mortgage shall be binding upon the Mortgagor, its successors and assigns, and every covenant, condition and agreement herein contained or set forth in the Loan Agreement or the Indenture in favor of the Mortgagee shall apply to and inure to the benefit of the Mortgagee, its successors or assigns. This Subordinate Mortgage is expressly

made subject to all terms, conditions, covenants, and agreements set forth in the Loan Agreement and the Indenture. The representations and warranties made in this Subordinate Mortgage shall survive the closing of the financing transaction contemplated hereby and remain valid and effective for the term of this Subordinate Mortgage. The representations and warranties made in this Subordinate Mortgage shall survive the closing of the financing transaction contemplated hereby and remain valid and effective for the term of this Subordinate Mortgage.

This Subordinate Mortgage shall be governed by the laws of the State. This Subordinate Mortgage contains Minnesota mortgage covenants and is subject to Minnesota statutory mortgage conditions for the breach of which it is subject to foreclosure as required by law.

Section 5.4 Amendments. Except as provided in Section 4.5 hereof and Article XII of the Indenture, this Subordinate Mortgage may not be amended. Neither this Subordinate Mortgage nor any term hereof may be changed, waived, discharged or terminated orally, or by any action or inaction, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

Section 5.5 Use of Mortgaged Property; Redemption; Insurance. It is recognized by the parties hereto that unless and until an Event of Default shall have occurred under the Loan Agreement, and the Mortgagee shall have exercised one of the remedies under Article II hereof, the Mortgagor shall have the unencumbered right to the use of the Mortgaged Property in the ordinary course of its business, subject to the Loan Agreement. The Mortgagor has agreed in Article IV of the Loan Agreement to maintain specific types of insurance in specific amounts.

Section 5.6 Exercise of Mortgagee Rights. All proceeds obtained by the Mortgagee in the exercise of rights and remedies hereunder shall be applied as set forth in Article VIII of the Indenture.

Section 5.7 This Instrument Is a Fixture Financing Statement. As to those items of Mortgaged Property that are, or are to become fixtures related to the real estate mortgaged herein, and all products and proceeds thereof, this instrument shall be deemed to be a Fixture Financing Statement within the meaning of the Minnesota Uniform Commercial Code, and following is information concerning the Fixture Financing Statement:

Name and Address of Debtor:	Roers Fridley Apartments Owner II LLC c/o Roers Companies Two Carlson Parkway N Suite 400 Plymouth, MN 55447 Attn: Andy Bollig, Brian Roers, and Lara Page
Name and Address of Secured Party:	U.S. Bank Trust Company, National Association 60 Livingston Avenue St. Paul, MN 55107 Attn: Martha Earley
Description of the Types (or items) of property covered by this Financing Statement:	See Section 2.1 hereof

Description of real estate to which all or a part of the collateral is attached or upon which it is located: See EXHIBIT A attached hereto.

Some of the above-described collateral is or is to become fixtures or trade fixtures upon the real estate described upon EXHIBIT A hereto, and this Financing Statement is to be filed for record in the real estate records of Anoka County, Minnesota.

Section 5.8 Counterparts. This Subordinate Mortgage may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.9 Notices. All notices, certificates or other communication required to be given to the Mortgagor and the Mortgagee in accordance with the provisions of this Subordinate Mortgage shall be given to those parties at the addresses set forth in Section 5.7 hereof or at such other addresses as the parties may direct by written notice to each other.

Section 5.10 Assignment. The obligations of the Mortgagor under this Subordinate Mortgage may be assigned to the transferee upon a transfer permitted under the Loan Agreement.

Section 5.11 Additional Covenants. The Mortgagor hereby covenants and agrees well and truly to abide by, perform and be governed and restricted by each and all of the matters provided for by the Loan Agreement and the Indenture and so incorporated herein to the same extent and with the same force and effect as if each and all of said representations, warranties, terms, provisions, restrictions, covenants, and agreements so incorporated hereby by reference were set out and repeated herein at length. Any provisions governing the rights, immunities and protections of the Trustee under the Loan Agreement and the Indenture are incorporated by reference into this Subordinate Mortgage as being applied to the Mortgagee as though fully set forth herein.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Mortgagor and the Mortgagee have caused this Subordinate Mortgage, Security Agreement, Assignment of Rents and Fixture Filing Statement to be executed on their respective behalf as of the date and year first written above.

ROERS FRIDLEY APARTMENTS OWNER II LLC,
a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member II
LLC, a Minnesota limited liability company
Its: Managing Member

By: _____
Name: _____
Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by _____, the _____ of Roers Fridley Apartments Managing Member II LLC, a Minnesota limited liability company, on behalf of the Mortgagor.

Notary Public

(SEAL)

(Signature page to Subordinate Mortgage re City of Fridley, Minnesota Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023C)

Execution page of the Mortgage to the Subordinate Mortgage, Security Agreement, Assignment of Rents and Fixture Filing Statement, dated as of the date and year first written above.

CITY OF FRIDLEY, MINNESOTA

By: _____
Scott J. Lund
Mayor

By: _____
Walter T. Wysopal
City Manager

STATE OF MINNESOTA)
)ss.
COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by Scott J. Lund, the Mayor of the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, on behalf of the Mortgagee.

Notary Public

(SEAL)

STATE OF MINNESOTA)
)ss.
COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2023, by Walter T. Wysopal, the City Manager of the City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State of Minnesota, on behalf of the Mortgagee.

Notary Public

(SEAL)

(Signature page to Subordinate Mortgage re City of Fridley, Minnesota Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023C)

EXHIBIT A

LEGAL DESCRIPTION

The real property situated in the City of Fridley, County of Anoka, State of Minnesota, described as follows:

[To be added]

EXHIBIT B

PERMITTED ENCUMBRANCES

1. The lien of all taxes payable in the year 2023 and subsequent years, a lien not yet due and payable.
2. [To be added]

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED JUNE __, 2023

NEW ISSUES

BOOK-ENTRY ONLY

NO RATING

SERIES 2023B AND 2023C TAXABLE

In the opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the Issuer, under existing federal statutes, decisions, regulations, and rulings as of the date of issuance of the Series 2023A Bonds (as herein defined), interest on the Series 2023A Bonds is excludable for federal income tax purposes from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except for interest on any Series 2023A Bond for any period during which such Series 2023A Bond is held by a person who is a "substantial user" of the Project (as herein defined) or a "related person" to a substantial user within the meaning of Section 147(a) of the Code, and except as set forth under the heading "TAX MATTERS" herein and APPENDIX C hereto. The interest on the Series 2023A Bonds is excluded to the same extent from gross income and net taxable income for State of Minnesota income tax purposes (other than the franchise tax measured by income imposed on corporations and institutions). Further, under existing law, interest on the Series 2023A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax applicable to individuals and the Minnesota alternative minimum tax applicable to individuals, estates, and trusts; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Such opinion is conditioned on continuing compliance with the Tax Covenants (as herein defined). Interest on the Series 2023B Bonds and Series 2023C Bonds (as herein defined) is taxable as ordinary income for federal and State of Minnesota income tax purposes. For a more complete discussion of the tax aspects, see "TAX MATTERS" in this Limited Offering Memorandum.

**CITY OF FRIDLEY, MINNESOTA
MULTIFAMILY HOUSING REVENUE BONDS
(MOON PLAZA PROJECT)**

\$ _____ * **SERIES 2023A**
\$ _____ * **TAXABLE SERIES 2023B (Tax Credit Bridge)**
\$ _____ * **TAXABLE SERIES 2023C (TIF)**

Dated: Date of Issuance

Maturity Date: June 1, 2041* for the Series 2023A Bonds

Initial Mandatory Tender Date: June 1, 2026* for the Series 2023B Bonds

Maturity Date: June 1, 20__* for the Series 2023B Bonds

Maturity Date: June 1, 2041* for the Series 2023C Bonds

The City of Fridley, Minnesota (the "Issuer") is issuing its (i) Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023A (Moon Plaza Project), Series 2023A (the "Series 2023A Bonds"), in the original aggregate principal amount of \$ _____, (ii) Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023B (Tax Credit Bridge) (the "Series 2023B Bonds", and together with the Series 2023A Bonds, the "Series 2023A/B Bonds"), in the original aggregate principal amount of \$ _____, and (iii) Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023C (TIF) (the "Series 2023C Bonds" and, together with the Series 2023A Bonds and the Series 2023B Bonds, the "Bonds"), in the original aggregate principal amount of \$ _____. The Series 2023 Bonds are being issued by the Issuer pursuant to a resolution adopted by the governing body of the Issuer on June 12, 2023 (the "Authorizing Resolution") and an Indenture of Trust, dated as of June 1, 2023 (the "Indenture"), between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). The principal of, premium, if any, and interest on the Bonds are payable at the designated corporate trust office of U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), in Saint Paul, Minnesota. Interest on the Bonds will be payable on each June 1 and December 1 commencing December 1, 2023*. The Bonds are being issued only as fully registered bonds in denominations of \$100,000 each and integral multiples of \$5,000 in excess thereof. The Bonds will be issued in book-entry form only under a global book-entry system operated by The Depository Trust Company, New York, New York ("DTC"). See "THE BONDS – Book Entry Only System" in this Limited Offering Memorandum. Principal of, premium, if any, and interest on the Bonds will be paid by the Trustee directly to DTC, as the registered owner thereof. See "INTRODUCTION" and "THE BONDS" in this Limited Offering Memorandum.

The proceeds of the Bonds will be loaned to Roers Fridley Apartments Owner II LLC, a Minnesota limited liability company (the "Borrower"), to finance, along with other available funds, (i) the acquisition and construction of an approximately 250,000-square-foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6237 University Avenue Northeast in the City of Fridley, Minnesota (the "Project"), (ii) fund capitalized interest for the Bonds through December 1, 2025; [(iii) funding required reserves, if any; and (iv) pay the costs of issuance of the Bonds]. See "THE PROJECT AND PRIVATE PARTICIPANTS" and "PLAN OF FINANCING" in this Limited Offering Memorandum.

THE OBLIGATIONS OF THE ISSUER WITH RESPECT TO THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE SECURITY FOR THE BONDS. NOTHING CONTAINED IN THE BONDS OR IN THE INDENTURE SHALL BE CONSIDERED AS ASSIGNING OR PLEDGING ANY FUNDS OR ASSETS OF THE ISSUER OTHER THAN THE SECURITY (AS DEFINED HEREIN). THE BONDS ARE NOT A DEBT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY PROVISION OF THE CONSTITUTION OR LAWS OF THE STATE. NO FAILURE OF THE ISSUER TO COMPLY WITH ANY TERM, CONDITION, COVENANT OR AGREEMENT IN THE INDENTURE OR IN ANY DOCUMENT EXECUTED BY THE ISSUER IN CONNECTION WITH THE PROJECT, OR THE ISSUANCE, SALE AND DELIVERY OF THE BONDS SHALL SUBJECT THE ISSUER TO LIABILITY FOR ANY CLAIM FOR DAMAGES, COSTS OR OTHER CHARGE EXCEPT TO THE EXTENT THAT THE SAME CAN BE PAID OR RECOVERED FROM THE SECURITY. THE ISSUER SHALL NOT BE REQUIRED TO ADVANCE ANY MONEYS DERIVED FROM ANY SOURCE OTHER THAN THE SECURITY FOR ANY OF THE PURPOSES OF THE INDENTURE, ANY OF THE OTHER BOND DOCUMENTS OR ANY OF THE LOAN DOCUMENTS, WHETHER FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE BONDS, THE PAYMENT OF ANY FEES OR ADMINISTRATIVE EXPENSES OR OTHERWISE.

THE BONDS ARE NOT RATED AND NO APPLICATION WILL BE MADE TO OBTAIN A RATING THEREON. THE BONDS ARE ONLY SUITABLE FOR, AND MAY ONLY BE PURCHASED BY, INVESTORS WHO: (A) CAN BEAR THE ECONOMIC RISK OF THE BONDS; (B) HAVE SUCH KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE RISKS AND MERITS OF THE BONDS; (C) UNDERSTAND THAT THE BONDS ARE HIGH-YIELD, HIGH-RISK SECURITIES; AND (D) HAVE UNDERTAKEN THE RESPONSIBILITY FOR OBTAINING ALL INFORMATION THAT IS DEEMED NECESSARY AND DESIRABLE TO FORM A DECISION TO PURCHASE THE BONDS. THE BONDS MAY BE SOLD ONLY TO PURCHASERS MEETING THE INVESTOR SUITABILITY CRITERIA SET FORTH UNDER "RESTRICTIONS ON OWNERSHIP AND TRANSFER OF THE BONDS" AND "INVESTOR SUITABILITY STANDARDS" IN THIS LIMITED OFFERING MEMORANDUM. PURCHASERS OF THE BONDS SHALL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AS TO COMPLIANCE WITH SUCH INVESTOR SUITABILITY CRITERIA. There are restrictions on who may purchase the Bonds. The Bonds offered hereby have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities act. The Bonds are being offered and sold hereby only to "Qualified Institutional Buyers" (as defined in Rule 144A under the Securities Act) or "Accredited Investors" (as defined in Rule 501 of Regulation D under the Securities Act). Transfers of the Bonds must be in Authorized Denominations and will be limited to only "Qualified Institutional Buyers" or "Accredited Investors" (and in the case of an "Accredited Investor" who is not a Qualified Institutional Buyer, in a minimum principal amount of \$100,000 regardless of any lower Authorized Denominations). See "RESTRICTIONS ON OWNERSHIP AND TRANSFER OF THE BONDS" and "RISK FACTORS AND INVESTMENT CONSIDERATIONS – Absence of Rating; Limited Secondary Market" in this Limited Offering Memorandum

The Series 2023B Bonds are subject to mandatory tender for purchase, subject to satisfaction of the applicable terms and conditions set forth in the Indenture, on the Mandatory Tender Date. All holders of the Series 2023B Bonds must tender their Series 2023B Bonds for purchase on the Mandatory Tender Date. The Series 2023B Bonds may be remarketed, in whole or in part, and a new interest rate for the remarketed Series 2023B Bonds may be determined, on the Mandatory Tender Date in accordance with the terms of the Indenture. If the Series 2023B Bonds are remarketed on the Mandatory Tender Date, the terms of the Series 2023B Bonds after such date may differ materially from the description provided in this Limited Offering Memorandum. Therefore, prospective purchasers of the Series 2023B Bonds on and after the Mandatory Tender Date cannot rely on this Limited Offering Memorandum, but rather must rely upon any disclosure documents prepared in connection with such remarketing. The Bonds are also subject to optional and mandatory redemption in whole or in part, as further described in this Limited Offering Memorandum. See “THE BONDS” in this Limited Offering Memorandum.

The Bonds will be secured by a pledge and assignment of the Security (as defined herein), including certain revenues from the Project and funds deposited under the Indenture, including payments made by the Borrower pursuant to the Loan Agreement dated as of June 1, 2023 (the “Loan Agreement”) between the Issuer and the Borrower. The Series 2023A/B Bonds will be secured by a senior mortgage lien and security interest in the Project pursuant to a Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement, dated as of June 1, 2023 (the “Series 2023A/B Mortgage”), from the Borrower to the Issuer and assigned by the Issuer to the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” in this Limited Offering Memorandum. The Series 2023B Bonds are also payable from certain tax credit equity amounts to be paid by the Investor Limited Member to the Borrower. See “SECURITY FOR THE SERIES 2023B BONDS” in this Limited Offering Memorandum. The Series 2023C Bonds will be secured by a subordinate mortgage lien and security interest in the Project pursuant to a Subordinate Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement, dated as of June 1, 2023 (the “Series 2023C Mortgage” and, together with the Series 2023A/B Mortgage, the “Mortgages”), from the Borrower to the Issuer and assigned by the Issuer to the Trustee. See “ADDITIONAL SECURITY FOR THE SERIES 2023C BONDS” in this Limited Offering Memorandum.

This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision. An investment in the Series 2023 Notes is subject to certain risks. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS” in this Limited Offering Memorandum.

SEE THE INSIDE FRONT COVER PAGE FOR THE MATURITY SCHEDULE FOR THE BONDS

The Bonds are offered when, as, and if issued by the Issuer, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval as to their validity by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the Borrower by Winthrop & Weinstine, P.A., Minneapolis, Minnesota, and for Piper Sandler & Co. (the “Underwriter”) by Ballard Spahr LLP, Minneapolis, Minnesota. It is expected that delivery of the Bonds will be made against payment therefor through the facilities of DTC on or about _____, 2023.

PIPER | SANDLER

The date of this Limited Offering Memorandum is _____, 2023.

MATURITY SCHEDULE

\$ _____ *

City of Fridley, Minnesota
Multifamily Housing Revenue Bonds
(Moon Plaza Project)
Series 2023A

\$ _____ ^{*(1)} _____ % Series 2023A Term Bonds due June 1, 2041
 Price of _____ % to Yield _____ %
 CUSIP: _____ ⁽³⁾

\$ _____ *

City of Fridley, Minnesota
Multifamily Housing Revenue Bonds
(Moon Plaza Project)
Taxable Series 2023B (Tax Credit Bridge)

\$ _____ * _____ % Series 2023B Term Bonds due _____ 1, 20 _____ ⁽²⁾
 (Subject to mandatory purchase on the Initial Mandatory Tender Date (June 1, 2026*))
 Price of _____ % to Yield _____ %
 CUSIP: _____ ⁽³⁾

\$ _____ *

City of Fridley, Minnesota
Multifamily Housing Revenue Bonds
(Moon Plaza Project)
Taxable Series 2023C (TIF)

\$ _____ * _____ % Series 2023C Term Bonds due June 1, 2041
 Price of _____ % to Yield _____ %
 CUSIP: _____ ⁽³⁾

**Preliminary, subject to change.*

⁽¹⁾ *The Series 2023A Bonds have a balloon maturity; see “RISK FACTORS AND INVESTMENT CONSIDERATIONS – No Amortization of Series 2023A Bonds – Balloon Maturity” in this Limited Offering Memorandum.*

⁽²⁾ *The Series 2023B Bonds have a balloon maturity; see “RISK FACTORS AND INVESTMENT CONSIDERATIONS – Balloon Maturity” in this Limited Offering Memorandum.*

⁽³⁾ *CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP Global Services (CSG) is managed on behalf of the ABA by FactSet Research Systems Inc. CUSIP data herein is provided by CUSIP Global Services. The CUSIP numbers listed above are being provided solely for the convenience of Holders of the Bonds only at the time of issuance of the Bonds and neither the Issuer nor the Underwriter nor the Borrower makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future.*

Issuer

City of Fridley, Minnesota

Bond Counsel to the Issuer

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

Borrower

Roers Fridley Apartments Owner II LLC
Plymouth, Minnesota

Borrower's Counsel

Winthrop & Weinstine, P.A.
Minneapolis, Minnesota

Underwriter

Piper Sandler & Co.
Atlanta, Georgia and Minneapolis, Minnesota

Underwriter's Counsel

Ballard Spahr LLP
Minneapolis, Minnesota

Trustee and Paying Agent

U.S. Bank Trust Company, National Association
Saint Paul, Minnesota

Picture/Rendering of Moon Plaza Apartments

This Limited Offering Memorandum is being furnished by the Borrower to “Qualified Institutional Buyers” (as defined in Rule 144A under the Securities Act) and “Accredited Investors” (as defined in Rule 501 of Regulation D under the Securities Act) solely for the purpose of each investor’s consideration of the purchase of the Bonds described herein, and is not to be used for any other purpose or made available to anyone not directly concerned with the decision regarding such purchase. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. Interested investors are being provided the opportunity to ask such questions and examine such documents and records as they may desire, and are advised to contact the Underwriter to secure further information concerning the Bonds.

No dealer, broker, salesman, or other person has been authorized by the Borrower or the Issuer to give any information or to make any representation with respect to the Bonds, other than as contained in this Limited Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by the Borrower or the Issuer. The information set forth herein has been obtained from the Borrower and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Borrower or the Issuer. The information regarding DTC has been obtained from DTC, but is not guaranteed as to accuracy or completeness by the Borrower. The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum: The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Limited Offering Memorandum. This Limited Offering Memorandum does not constitute a contract between the Borrower or the Underwriter and any one or more of the purchasers or registered owners of the Bonds.

THE ISSUER HAS NOT PARTICIPATED IN THE PREPARATION OF, OR REVIEWED OR APPROVED, AND DOES NOT REPRESENT OR WARRANT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO OTHER THAN THE STATEMENTS SET FORTH UNDER THE CAPTIONS “THE ISSUER” AND “LITIGATION – THE ISSUER.”

U.S. Bank Trust Company, National Association, as Trustee, has not reviewed, provided or undertaken to determine the accuracy of any of the information contained in this Limited Offering Memorandum and makes no representation or warranty, express or implied, as to any matters contained in this Limited Offering Memorandum, including, but not limited to, (i) the accuracy or completeness of such information, (ii) the validity of the Bonds, or (iii) the tax-exempt status of the Series 2023A Bonds.

Information on web site addresses set forth in this Limited Offering Memorandum is not incorporated into this Limited Offering Memorandum and cannot be relied upon to be accurate as of the date of this Limited Offering Memorandum, nor can any such information be relied upon in making investment decisions regarding the Bonds.

The Bonds have not been registered under the Securities Act, and the Indenture has not been qualified under the INDENTURE OF TRUST Act of 1939, in reliance on exemptions contained in such Acts.

THIS LIMITED OFFERING MEMORANDUM DESCRIBES THE TERMS OF THE BONDS UNTIL THE MANDATORY TENDER DATE AND MAY NOT BE RELIED UPON FOR THE TERMS OF THE BONDS AFTER SUCH MANDATORY TENDER DATE.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS LIMITED OFFERING MEMORANDUM.

CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer, the Borrower or the Placement Agent and are included solely for the convenience of the holders of the Bonds. None of the Issuer, the Borrower or the Underwriter are 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.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Limited Offering Memorandum contains “forward-looking” information within the meaning of the federal securities laws. Certain statements in this Limited Offering Memorandum that relate to the Project and the Borrower including, but not limited to, statements under the captions “PRIVATE PARTICIPANTS AND THE PROJECT” and “PLAN OF FINANCE – Estimated Sources and Uses of Funds” are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of the Borrower. The forward-looking information includes statements concerning the Borrower’s outlook for the future, as well as other statements of beliefs, future plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. Forward-looking information and statements are subject to many risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Project and the Borrower to be materially different from any expected future results or performance. These risks and uncertainties include the availability and amount of governmental reimbursements, appropriations, the competitive environment and related market conditions, operating efficiencies, access to capital, the cost of compliance with environmental and health standards, litigation and other risks and uncertainties described herein under “RISK FACTORS AND INVESTMENT CONSIDERATIONS.” Readers are cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, the statements. Any forward-looking statement made in this Limited Offering Memorandum speaks only as of the date of such statement, and the Borrower and the Issuer undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

THE BONDS HAVE RISK CHARACTERISTICS WHICH REQUIRE CAREFUL ANALYSIS AND CONSIDERATION BEFORE A DECISION TO PURCHASE IS MADE. THE BONDS SHOULD BE PURCHASED BY INVESTORS WHO HAVE ADEQUATE EXPERIENCE TO EVALUATE THE MERITS AND RISKS OF THE BONDS. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS LIMITED OFFERING MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATION FROM THE UNDERWRITER, ITS AFFILIATES, OFFICERS AND EMPLOYEES OR ANY PROFESSIONAL ASSOCIATED WITH THIS PLACEMENT AS INVESTMENT OR LEGAL ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISORS AS TO FINANCIAL, LEGAL AND RELATED MATTERS CONCERNING THE INVESTMENT DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM.

THE BONDS MAY BE SOLD ONLY TO PURCHASERS MEETING THE INVESTOR SUITABILITY STANDARDS SET FORTH UNDER “RESTRICTIONS ON OWNERSHIP AND TRANSFER OF THE BONDS” AND “INVESTOR SUITABILITY STANDARDS” IN THIS LIMITED OFFERING MEMORANDUM. PURCHASERS OF THE BONDS SHALL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AS TO COMPLIANCE WITH SUCH INVESTOR SUITABILITY CRITERIA. THE SALE OR OTHER DISTRIBUTION OF THE BONDS IS SUBJECT TO CERTAIN RESTRICTIONS.

THE UNDERWRITER HEREBY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES ARISING UNDER INDIANA STATE LAW WITH RESPECT TO (1) THE VALIDITY OF THE INDENTURE OR OTHER DOCUMENTS ISSUED IN CONNECTION WITH THIS TRANSACTION, (2) THE SUBJECT MATTER OF OPINIONS GIVEN BY COUNSEL ISSUED IN CONNECTION WITH THIS TRANSACTION, AND (3) INFORMATION SUPPLIED BY OTHER PARTIES TO THE TRANSACTION. THIS DISCLAIMER DOES NOT APPLY AND IS NOT INTENDED TO APPLY TO THE UNDERWRITER’S RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS.

TABLE OF CONTENTS

	Page		Page
SUMMARY	i	Historical Limitations on Tax Levies.....	29
INTRODUCTION	1	Metropolitan Fiscal Disparities Act	30
THE ISSUER	5	RISK FACTORS AND INVESTMENT CONSIDERATIONS.....	30
THE PROJECT AND THE PRIVATE PARTICIPANTS.....	5	Special Limited Obligations of Issuer	30
The Project	6	Limited Resources of Borrower; Security for Repayment	30
Third-Party Reports.....	6	The Borrower and Related Parties; Conflicts of Interest.....	31
PLAN OF FINANCING.....	6	Mandatory Tender.....	31
Additional Sources of Financing	7	Pledge of Tax Increments and Concentrated Nature of the TIF	
DEBT SERVICE SCHEDULE	8	District	31
THE BONDS.....	8	Risk of Destruction	33
General Description.....	8	Risks Related to TIF Note and Assignment of TIF Note	33
Book-Entry Only System	9	Termination or Suspension of TIF Note.....	33
Transfer and Exchange of the Bonds; Transfer Restrictions	9	As-Built Appraisal of Project.....	34
Optional Redemption of Bonds	9	Conditions to Pledged Capital Contributions; Managing	
Mandatory Redemption of Bonds	9	Member/Borrower Default; Downward Adjustment Possibility	
Mandatory Tender and Remarketing – Series 2023B Bonds.....	12	for the Series 2023B Bonds.....	35
Partial Redemption; Re-amortization	13	Competition and Reliance on Market Study	35
Selection of Bonds to be Redeemed	14	No Recourse to Borrower or its Partners.....	35
[No Redemption of Series 2023A Bonds Prior to Placed in		Income and Rent Restrictions	36
Service Date	14	Future Project Revenues and Expenses.....	36
Notice of Redemption	14	Risks of Real Estate Investment.....	36
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	14	Marketing and Management	38
Special Limited Obligations of Issuer	14	Effect of Increases in Operating Expenses.....	38
Security	14	Project Risks	39
Repayment of Loan; Limited Recourse to Borrower.....	15	Insurance Risks	40
Series 2023A/B Mortgage	15	Delinquent and Defaulting Tenants.....	40
Assignment of Management Agreement	16	Acceleration of the Bonds; Limitation	41
Assignment of Project Documents	16	Risk of Early Redemption.....	41
Environmental Indemnity Agreement	16	Risk of Loss Upon Redemption	41
Developer Guaranty [Relating to the Series 2023A Bonds]	16	No Amortization of Series 2023A Bonds; Balloon Maturity of	
Guaranty of Completion.....	16	Series 2023A/B Bonds	41
Guaranty of Debt Service	17	Effect of Bankruptcy	41
Guaranty of Recourse Obligations	17	Enforceability of Remedies; Prior Claims.....	42
[Managing Member Guaranty and Pledge.....	17	Absence of Rating; Limited Secondary Market	42
Replacement Reserve Agreement.....	18	Environmental Matters.....	43
Operation of the Project	18	Infectious Disease Outbreak	43
Special Covenants	18	[Legislative Response to COVID-19	44
No Credit Enhancement Facility	19	Taxation of the Bonds	44
Other Covenants of the Borrower.....	19	Possible Consequence of Tax Compliance Audit	45
ADDITIONAL SECURITY FOR THE SERIES 2023B BONDS.....	19	Other Possible Risk Factors	45
Series 2023A/B Mortgage	19	Summary.....	46
Assignment of Capital Contributions	19	RESTRICTIONS ON OWNERSHIP AND TRANSFER OF THE	
Scheduled Capital Contributions to the Borrower	19	BONDS	46
The Pledged Capital Contributions	20	INVESTOR SUITABILITY STANDARDS.....	46
Capitalized Interest.....	22	LITIGATION.....	47
Sources of Capital Contributions for Series 2023B Bonds.....	22	The Issuer.....	47
No Debt Service Reserve Fund	22	The Borrower	47
ADDITIONAL SECURITY FOR THE SERIES 2023C BONDS.....	23	NO RATINGS.....	47
Sources of Payment for the Series 2023C Bonds	23	APPROVAL OF LEGAL MATTERS	47
Tax Increment Financing.....	23	TAX MATTERS.....	48
Assignment of Loan Agreement; Bond Fund; Capitalized		UNDERWRITER.....	49
Interest.....	25	CONTINUING DISCLOSURE	50
Real Property Taxes Generally	26	MISCELLANEOUS.....	51
Statutory Tax Lien.....	28		
No Assurance of Tax Increment.....	29		
Limitations on Tax Increment	29		
APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS	A-1		
APPENDIX B – MARKET STUDY.....	B-1		
APPENDIX C – FORMS OF THE PRINCIPAL DOCUMENTS	C-1		
APPENDIX D – FORM OF BOND COUNSEL OPINION	D-1		
APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.....	E-1		
APPENDIX F – BOOK-ENTRY ONLY SYSTEM.....	F-1		
APPENDIX G – FORM OF INVESTOR LETTER	G-1		

SUMMARY

The following is a summary of certain information contained in this Limited Offering Memorandum. The summary is not comprehensive or complete and is qualified in its entirety by reference to the complete Limited Offering Memorandum. Undefined capitalized terms used below are defined in APPENDIX C hereto or elsewhere in this Limited Offering Memorandum.

- The Issuer**The City of Fridley, Minnesota (the “Issuer”) is a home rule charter city and political subdivision organized and existing under the Constitution and laws of the State of Minnesota (the “State”), including Minnesota Statutes, Chapter 462C. See “THE ISSUER” in this Limited Offering Memorandum.
- The Bonds**.....The Issuer will issue its (i) Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023A (the “Series 2023A Bonds”), in the original aggregate principal amount of \$_____, (ii) Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023B (Tax Credit Bridge) (the “Series 2023B Bonds” and, together with the Series 2023A Bonds, the “Series 2023A/B Bonds”), in the original aggregate principal amount of \$_____, and (iii) Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023C (TIF) (the “Series 2023C Bonds” and, together with the Series 2023A Bonds and the Series 2023B Bonds, the “Bonds”), issued in the original aggregate principal amount of \$_____. The Bonds will be issued in authorized minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Bonds are being issued pursuant to a resolution adopted by the governing body of the Issuer on June 12, 2023 (the “Authorizing Resolution”) and an Indenture of Trust, dated as of June 1, 2023 (the “Indenture”), between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). See “THE BONDS” in this Limited Offering Memorandum.
- The Borrower**Roers Fridley Apartments Owner II LLC (the “Borrower”), is a Minnesota limited liability company (the “Borrower”) For more information, see “THE BORROWER,” and “APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS – THE BORROWER” in this Limited Offering Memorandum.
- Use of Proceeds**The proceeds of the Bonds will be loaned (the “Loan”) by the Issuer to the Borrower pursuant to the Loan Agreement, dated as of June 1, 2023 (the “Loan Agreement”), between the Issuer and the Borrower. Proceeds of the Bonds will be used by the Borrower, along with other available funds, to finance (i) the acquisition and construction of an approximately 250,000-square-foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6237 University Avenue Northeast in the City of Fridley, Minnesota (the “Project”), (ii) fund capitalized interest for the Bonds through December 1, 2025; [(iii) funding required reserves, if any; and (iv) pay the costs of issuance of the Bonds]. See “THE PROJECT AND THE PRIVATE PARTICIPANTS” in this Limited Offering Memorandum.
- The TIF District**On February 13, 2023, the City Council of the City of Fridley, Minnesota (the “City”), upon recommendation of the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota (the “Fridley HRA”), approved (i) the creation of TIF District No. 26 (the “TIF District” or the “District”) within Redevelopment Project No. 1 within the City, encompassing an area of approximately 3.6 acres located at 6257 University Avenue Northeast in the City in order to redevelop the existing Moon Plaza retail strip center located on previously improved land which had become blighted, and (ii) a tax increment financing plan (the “TIF Plan”) for the TIF District pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the “TIF Act”). See “APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS – The TIF District” for a map of the TIF District.

Payment The Bonds mature and bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rates set forth on the inside front cover page hereof. Interest on the Bonds is payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2023* (each an “Interest Payment Date”), by check or draft of the Trustee to the Registered Owners of the Bonds as of the 15th day of the calendar month next preceding an Interest Payment Date (the “Record Date”). Payments for the principal of and interest on the Bonds will be made as described in “APPENDIX H – BOOK-ENTRY-ONLY SYSTEM” in this Limited Offering Memorandum.

**Special, Limited
Obligations**

THE BONDS ARE SPECIAL OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY OUT OF ANY OF THE MONEYS, SECURITIES AND FUNDS AND ACCOUNTS UNDER THE INDENTURE. NONE OF THE ISSUER’S FUNDS ARE PLEDGED TO PAY THE BONDS. THE BONDS AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY, GENERAL OR MORAL OBLIGATION, DEBT OR BONDED INDEBTEDNESS OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER. THE BONDS ARE NOT A DEBT OF THE STATE, THE LEGISLATURE THEREOF, OR ANY POLITICAL SUBDIVISION OF ANY BODY CORPORATE AND POLITIC THEREOF, NOR ANY MUNICIPALITY THEREIN, AND NEITHER THE STATE, THE ISSUER NOR ANY CITY COUNCIL MEMBER, OFFICER OR EMPLOYEE THEREOF, THE LEGISLATURE THEREOF NOR ANY POLITICAL SUBDIVISION NOR ANY BODY CORPORATE AND POLITIC THEREOF NOR ANY MUNICIPALITY THEREIN WILL BE OBLIGATED TO PAY THE PRINCIPAL OF OR ANY PREMIUM ON THE BONDS, OR THE INTEREST THEREON, NOR WILL THEY INCUR ANY LIABILITY IN CONNECTION THEREWITH NOR OTHER COSTS INCIDENT THERETO EXCEPT FROM REVENUES PLEDGED THEREFOR UNDER THE INDENTURE, NOR SHALL ANY ASSETS OF THE ISSUER BE AT RISK IN CONNECTION WITH THE BONDS. THE ISSUER DOES NOT HAVE ANY TAXING POWER.

Security The Bonds constitute special, limited obligations of the Issuer payable solely from and secured by the following: (i) all moneys from time to time paid by the Borrower pursuant to the terms of the Loan Agreement, the Note and the Bond Documents and all right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) under and pursuant to and subject to the provisions of the Loan Agreement, the Bond Documents and the Note (but in each instance excluding the Reserved Rights, as defined herein) (including for the Series 2023B Bonds certain Capital Contributions to be made to the Borrower by the Investor Limited Member and for the Series 2023C Bonds the Available Tax Increment from the TIF District); (ii) all other moneys and securities from time to time held by the Trustee under the terms of this Indenture, excluding the Remarketing Proceeds Account, the Rebate Fund and excluding amounts required to be rebated to the United States Department of the Treasury under Section 148(f) of the Internal Revenue Code of 1986, as amended (the “Code”), whether or not held in the Rebate Fund; (iii) any and all property, rights and interests (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder to the Trustee, which the Trustee is hereby authorized to receive at any and all times and to hold and apply the same subject to the terms of this Indenture; and (iv) all of the proceeds of the foregoing (except the amounts payable to or on behalf of the Issuer on account of its Reserved Rights), including without limitation investments thereof (collectively, the “Security”). Under the terms of the Indenture, the Borrower’s pledge of Project revenues to pay debt service on the Series 2023C Bonds is junior and subordinate to the pledge to pay debt service on the Series 2023A/B Bonds.

Series 2023A/B Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement. The Series 2023A/B Bonds are further secured by a Mortgage,

Assignment of Rents, Security Agreement and Fixture Financing Statement, dated as of June 1, 2023 (the “Series 2023A/B Mortgage”), made by the Borrower to the Issuer and assigned by the Issuer to the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “APPENDIX C – FORMS OF PRINCIPAL DOCUMENTS – THE [SERIES 2023A/B] MORTGAGE” in this Limited Offering Memorandum.

Series 2023C Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement. The Series 2023C Bonds are further secured by a Subordinate Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement, dated as of June 1, 2023 (the “Series 2023C Mortgage” and, together with the Series A/B Mortgage, the “Mortgages”), made by the Borrower to the Issuer and assigned by the Issuer to the Trustee. See “ADDITIONAL SECURITY FOR THE SERIES 2023C BONDS” and “APPENDIX C – FORMS OF PRINCIPAL DOCUMENTS – THE [SERIES 2023C] MORTGAGE” in this Limited Offering Memorandum.

Tax Credits. The Series 2023B Bonds are also secured by a pledge of the Investor Limited Member’s capital contributions assigned by the Borrower to the Trustee. See “ADDITIONAL SECURITY FOR THE SERIES 2023B BONDS” in this Limited Offering Memorandum.

TIF Proceeds. The Series 2023C Bonds are also secured by a pledge of Available Tax Increment and Tax Increment Revenues. See “ADDITIONAL SECURITY FOR THE SERIES 2023C BONDS” in this Limited Offering Memorandum.

Risk FactorsProspective investors must read this entire Limited Offering Memorandum and the Appendices attached hereto in their entirety, particularly the section “RISK FACTORS AND INVESTMENT CONSIDERATIONS” in this Limited Offering Memorandum, for a discussion of certain risk factors which should be considered in connection with an investment in the Bonds.

**Purchase and Transfer
Restrictions; Investor**

Letter Requirement[**TO BE DISCUSSED**] Purchasers of the Bonds must be “qualified institutional buyers” (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended) (the “Securities Act”), or “accredited investors” within the meaning of Rule 501 of Regulation D promulgated under the Securities Act. The Bonds may be transferred only to other qualified institutional buyers or accredited investors, and only in Authorized Denominations. The initial purchasers of the Bonds will be required to execute an Investor Letter substantially in the form attached hereto as “APPENDIX G – FORM OF INVESTOR LETTER.” See “THE BONDS – Transfer and Exchange of Bonds; Transfer Restrictions”, “RESTRICTIONS ON OWNERSHIP AND TRANSFER OF THE BONDS”, “INVESTOR SUITABILITY STANDARDS”, and “APPENDIX G – FORM OF INVESTOR LETTER.” in this Limited Offering Memorandum.

Optional Redemption*Series 2023A Bonds.* The Series 2023A Bonds are subject to redemption at the option of the Issuer, in whole but not in part, at any time on or after June 1, 20__*, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption [and a premium], upon not less than thirty (30) days written notice to the Trustee.

Series 2023B Bonds. The Series 2023B Bonds are subject to redemption at the option of the Issuer, in whole but not in part, at any time on or after June 1, 20__*, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption [and a premium], upon not less than thirty (30) days written notice to the Trustee. [**SEPARATE OPTIONAL REDEMPTION PROVISIONS FOR EACH SERIES 2023B TERM BOND TO BE DISCUSSED**]

Series 2023C Bonds. The Series 2023C Bonds are subject to redemption at the option of the Issuer, in whole but not in part, at any time on or after June 1, 20__*, at a redemption

price of 100% of the principal amount thereof, plus accrued interest to the date of redemption [and a premium], upon not less than thirty (30) days written notice to the Trustee. See “THE BONDS – Optional Redemption of Bonds” in this Limited Offering Memorandum.

Mandatory Redemption

and Other Redemption.....The Bonds are subject to (i) mandatory redemption from, and to the extent of, Surplus Bond Proceeds, if any, on deposit in the Surplus Fund, and (ii) special mandatory redemption in the event of a default or Determination of Taxability with respect to the Series 2023A Bonds, in whole, at a redemption price equal to the sum of the principal amount of the Bonds, plus a premium, plus accrued interest on the Bonds.

The Series 2023A Bonds are also subject to mandatory redemption in part at a redemption price equal to 100% of the principal amount of the Series 2023A Bonds to be redeemed plus interest accrued thereon to, but not including, the redemption date, in the amount as specified by the Bondholder Representative necessary to cause the Project to meet certain Stabilization requirements if the Project has not achieved Stabilization by the Stabilization Date. See “THE BONDS – Mandatory Redemption of Bonds” in this Limited Offering Memorandum.

The Series 2023C Bonds are subject to mandatory redemption from Available Tax Increment Revenues deposited in the Tax Increment Account of the Bond Fund in accordance with the provisions of the Indenture on each Principal Payment Date, commencing with June 1, 2026. Such special redemption amount will be in addition to the regularly scheduled mandatory sinking fund redemption on such Principal Payment Date and only to the extent that there are funds on deposit in the Tax Increment Account of the Bond Fund sufficient to make such redemption and pay the interest due on the Series 2023C Bonds on the next two Interest Payment Dates plus the principal due on the next Principal Payment Date.

The Series 2023B Bonds and Series 2023C Bonds are subject to mandatory sinking fund redemption as described in this Limited Offering Memorandum. The Series 2023A Bonds do not have any scheduled principal amortization prior to their maturity date.

The Bonds are also subject to extraordinary mandatory redemption at a redemption price equal to the principal amount, plus accrued interest upon the occurrence of certain events of damage, destruction or condemnation. See “THE BONDS – Mandatory Redemption of Bonds” in this Limited Offering Memorandum.

Mandatory Purchase of Series 2023B Bonds

The Series 2023B Bonds are subject to mandatory tender on June 1, 2026* (the “Initial Mandatory Tender Date”), and on such date, the Holders of the Series 2023B Bonds are required to tender and the Borrower is required to purchase all of the Series 2023B Bonds at a purchase price equal to par plus accrued interest, if any. If the Series 2023B Bonds are not optionally redeemed by the Borrower on or prior to the Mandatory Tender Date (as defined in the Indenture), on the Mandatory Tender Date, subject to satisfaction of conditions for remarketing set forth under the Indenture, Piper Sandler & Co. (the “Remarketing Agent”) will remarket the Series 2023B Bonds on behalf of the Borrower under the terms of a Remarketing Agreement, dated as of June 1, 2023 (the “Remarketing Agreement”) if they are still outstanding on such date. See “THE BONDS – Mandatory Redemption of Bonds” and “ – Series 2023B Bonds Mandatory Tender” in this Limited Offering Memorandum

Trustee and

Paying AgentU.S. Bank Trust Company, National Association, in Saint Paul, Minnesota. See “THE TRUSTEE” in this Limited Offering Memorandum.

Book Entry-Only

RegistrationThe Bonds will be issued in fully registered form and will be registered initially in the name of “Cede & Co.” as nominee for The Depository Trust Company, New York, New

York (“DTC”), a DTC. See “APPENDIX F – BOOK-ENTRY-ONLY SYSTEM” for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters.

Registration and

DenominationsThe Bonds are issued in fully registered form in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof (“Authorized Denominations”). See “THE BONDS” and “APPENDIX F – BOOK-ENTRY-ONLY SYSTEM” in this Limited Offering Memorandum.

Tax Status.....In the opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the Issuer, under existing federal statutes, decisions, regulations, and rulings as of the date of issuance of the Series 2023A Bonds (as herein defined), interest on the Series 2023A Bonds is excludable for federal income tax purposes from gross income under Section 103 of the Code, except for interest on any Series 2023A Bond for any period during which such Series 2023A Bond is held by a person who is a “substantial user” of the Project or a “related person” to a substantial user within the meaning of Section 147(a) of the Code, and except as set forth under the heading “TAX MATTERS” herein and APPENDIX C hereto. The interest on the Series 2023A Bonds is excluded to the same extent from gross income and net taxable income for State of Minnesota income tax purposes (other than the franchise tax measured by income imposed on corporations and institutions). Further, under existing law, interest on the Series 2023A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax applicable to individuals and the Minnesota alternative minimum tax applicable to individuals, estates, and trusts; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Such opinion is conditioned on continuing compliance with the Tax Covenants (as herein defined). Interest on the Series 2023B Bonds and Series 2023C Bonds (as herein defined) is taxable as ordinary income for federal and State of Minnesota income tax purposes. For a more complete discussion of the tax aspects. See “TAX MATTERS” and “APPENDIX D – FORM OF BOND COUNSEL OPINION” in this Limited Offering Memorandum.

Continuing DisclosurePursuant to the requirements of Securities and Exchange Commission (“SEC”) Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the “Rule”), the Borrower will agree for the benefit of the Registered Owners and Beneficial Owners of the Bonds to provide certain financial information and other operating data and notices of listed events required by the SEC. See “CONTINUING DISCLOSURE” and “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT” in this Limited Offering Memorandum.

No Bond Rating.....The Bonds have not been rated by any national rating agency and no rating request has been made to any rating agency. See “NO RATINGS” in this Limited Offering Memorandum.

Additional InformationThe summaries of or references to constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information set forth in this Limited Offering Memorandum do not purport to be complete statements of the provisions of the items summarized or referred to and are qualified in their entirety by the actual provisions of such items, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from the Underwriter.

Delivery InformationThe Bonds are offered when, as, and if issued by the Issuer and accepted by the Underwriter, subject to prior sale and the approving legal opinion of Bond Counsel and certain other conditions. Certain legal matters will be passed upon by Winthrop & Weinstine, P.A., Minneapolis, Minnesota, counsel to the Borrower; and by Ballard Spahr

LLP, Minneapolis, Minnesota, as counsel to the Underwriter. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about June __, 2023.

LIMITED OFFERING MEMORANDUM

relating to the issuance of:

CITY OF FRIDLEY, MINNESOTA MULTIFAMILY HOUSING REVENUE BONDS

(MOON PLAZA PROJECT)

\$ _____ * SERIES 2023A

\$ _____ * TAXABLE SERIES 2023B (TAX CREDIT BRIDGE)

\$ _____ * TAXABLE SERIES 2023C (TIF)

INTRODUCTION

This introduction is not a summary of this Limited Offering Memorandum. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Limited Offering Memorandum, including the cover page and Appendices hereto, and the documents attached hereto or described in this Limited Offering Memorandum. A full review should be made of the entire Limited Offering Memorandum. The sale of the Bonds to potential investors is made only by means of the entire Limited Offering Memorandum. All capitalized terms used herein and not defined herein shall have the meanings ascribed to such terms in the hereinafter defined Indenture or Loan Agreement, the forms of which are attached hereto as part of APPENDIX C.

Purpose of this Limited Offering Memorandum. This Limited Offering Memorandum, including the cover pages and the Appendices hereto, is provided to furnish information in connection with the original issuance by the City of Fridley, Minnesota (the “Issuer”) of its (i) Multifamily Housing Revenue Bonds (Moon Plaza Project), Series 2023A (the “Series 2023A Bonds”), in the original aggregate principal amount of \$_____, (ii) Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023B (Tax Credit Bridge) (the “Series 2023B Bonds” and, together with the Series 2023A Bonds, the “Series 2023A/B Bonds”), in the original aggregate principal amount of \$_____, and (iii) Multifamily Housing Revenue Bonds (Moon Plaza Project), Taxable Series 2023C (TIF) (the “Series 2023C Bonds” and, together with the Series 2023A Bonds and the Series 2023B Bonds, the “Bonds”), in the original aggregate principal amount of \$_____. The Bonds are being issued pursuant to a resolution adopted by the governing body of the Issuer on June 12, 2023 (the “Authorizing Resolution”) and an Indenture of Trust, dated as of June 1, 2023 (the “Indenture”), between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). .

Purpose of the Bonds. The proceeds of the Bonds will be loaned (the “Loan”) by the Issuer to Roers Fridley Apartments Owner II LLC, a Minnesota limited liability company (the “Borrower”), pursuant to the Loan Agreement, dated as of June 1, 2023 (the “Loan Agreement”), between the Issuer and the Borrower. Proceeds of the Bonds will be used by the Borrower, along with other available funds, to finance (i) the acquisition and construction of an approximately 250,000-square-foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6237 University Avenue Northeast in the City of Fridley, Minnesota (the “Project”), (ii) fund capitalized interest for the Bonds through December 1, 2025; [(iii) funding required reserves, if any; and (iv) pay the costs of issuance of the Bonds]. See “PLAN OF FINANCING”, “THE PROJECT AND THE PRIVATE PARTICIPANTS” and “APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS – THE PROJECT” in this Limited Offering Memorandum for further description of the Project.

The Bonds. The Bonds will be issued in the amounts, will be dated, will bear interest at the respective rates and will be payable on the dates and will mature on the respective dates set forth on the

inside cover page of this Limited Offering Memorandum. The Bonds are subject to redemption as described herein under the caption “THE BONDS – Mandatory Tender and Remarketing of Series 2023B Bonds,” Optional Redemption of Bonds,” and “Mandatory Redemption of Bonds.”

For a more complete description of the Bonds, see “THE BONDS” in this Limited Offering Memorandum.

THE OBLIGATIONS OF THE ISSUER WITH RESPECT TO THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE SECURITY FOR THE BONDS. NOTHING CONTAINED IN THE BONDS OR IN THE INDENTURE SHALL BE CONSIDERED AS ASSIGNING OR PLEDGING ANY FUNDS OR ASSETS OF THE ISSUER OTHER THAN THE SECURITY (AS DEFINED BELOW). THE BONDS ARE NOT A DEBT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY PROVISION OF THE CONSTITUTION OR LAWS OF THE STATE. NO FAILURE OF THE ISSUER TO COMPLY WITH ANY TERM, CONDITION, COVENANT OR AGREEMENT IN THE INDENTURE OR IN ANY DOCUMENT EXECUTED BY THE ISSUER IN CONNECTION WITH THE PROJECT, OR THE ISSUANCE, SALE AND DELIVERY OF THE BONDS SHALL SUBJECT THE ISSUER TO LIABILITY FOR ANY CLAIM FOR DAMAGES, COSTS OR OTHER CHARGE EXCEPT TO THE EXTENT THAT THE SAME CAN BE PAID OR RECOVERED FROM THE SECURITY. THE ISSUER SHALL NOT BE REQUIRED TO ADVANCE ANY MONEYS DERIVED FROM ANY SOURCE OTHER THAN THE SECURITY FOR ANY OF THE PURPOSES OF THE INDENTURE, ANY OF THE OTHER BOND DOCUMENTS OR ANY OF THE LOAN DOCUMENTS, WHETHER FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE BONDS, THE PAYMENT OF ANY FEES OR ADMINISTRATIVE EXPENSES OR OTHERWISE. THE ISSUER HAS NO TAXING POWER.

Series 2023B Bonds Mandatory Tender. [UNDER REVIEW] The Series 2023B Bonds are subject to mandatory tender for purchase on June 1, 2026* (the “Initial Mandatory Tender Date”), subject to satisfaction of the applicable terms and conditions set forth in the Indenture. All holders of the Series 2023B Bonds must tender their Series 2023B Bonds for purchase on the Mandatory Tender Date (as defined in the Indenture). A new interest rate for the Series 2023B Bonds may be determined on the Mandatory Tender Date in accordance with the terms of the Indenture. If the Series 2023B Bonds are remarketed on the Mandatory Tender Date, the terms of the Series 2023B Bonds after such date may differ materially from the description provided in this Limited Offering Memorandum. Therefore, prospective purchasers of the Series 2023B Bonds on and after the Mandatory Tender Date cannot rely on this Limited Offering Memorandum, but rather must rely upon any disclosure documents prepared in connection with such remarketing.

Security. The Bonds constitute special, limited obligations of the Issuer payable solely from and secured by the following: (i) all moneys from time to time paid by the Borrower pursuant to the terms of the Loan Agreement, the Note and the Bond Documents and all right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) under and pursuant to and subject to the provisions of the Loan Agreement, the Bond Documents and the Note (but in each instance excluding the Reserved Rights, as defined herein) (including for the Series 2023B Bonds certain Capital Contributions to be made to the Borrower by the Investor Limited Member and for the Series 2023C Bonds the Available Tax Increment from the TIF District); (ii) all other moneys and securities from time to time held by the Trustee under the terms of this Indenture, excluding the Remarketing Proceeds Account, the Rebate Fund and excluding amounts required to be rebated to the United States Department of the Treasury under Section 148(f) of the Internal Revenue Code of 1986, as amended, whether or not held in the Rebate Fund; (iii) any

and all property, rights and interests (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder to the Trustee, which the Trustee is hereby authorized to receive at any and all times and to hold and apply the same subject to the terms of this Indenture; and (iv) all of the proceeds of the foregoing (except the amounts payable to or on behalf of the Issuer on account of its Reserved Rights), including without limitation investments thereof (collectively, the “Security”). Under the terms of the Indenture, the Borrower’s pledge of Project revenues to pay debt service on the Series 2023C Bonds is junior and subordinate to the pledge to pay debt service on the Series 2023A/B Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “ADDITIONAL SECURITY FOR THE SERIES 2023B BONDS” and “ADDITIONAL SECURITY FOR THE SERIES 2023C BONDS” in this Limited Offering Memorandum.

The Notes. The Borrower is obligated under the Loan Agreement to make payments (the “Repayments”) in such amounts and at such times as will be sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds, as well as pay certain other fees and expenses in connection with the Bonds. As evidence of its obligation to make the Repayments with respect to the Bonds, the Borrower will execute and deliver to the Issuer promissory Notes (the “Notes”).

Series 2023A/B Mortgage. As further security for the Series 2023A/B Bonds, and to secure the Borrower’s obligations under the Note and the Loan Agreement, the Borrower will grant to the Trustee, dated on or about the date of issuance of the Bonds, a Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement (the “Series 2023A/B Mortgage”) to be recorded against the Project in the real property records of Anoka County, Minnesota. Such Series 2023A/B Mortgage will grant to the Trustee a first priority lien on and security interest in the Borrower’s fee simple interest in the Project. Such first priority lien and security interest is subject to Permitted Encumbrances identified in this Limited Offering Memorandum.

Assignment of Capital Contributions. As additional security for the Series 2023B Bonds and pursuant to an Assignment of Capital Contributions, dated as of June 1, 2023 (the “Assignment of Capital Contributions”), from the Borrower for the benefit of the Trustee, the Borrower has agreed to transfer and assign to the Trustee all of the Borrower’s rights under the Operating Agreement (as defined herein) to receive and enforce payment of Capital Contributions (as such term is defined in the Operating Agreement) through and including the achievement of Stabilization; provided, however, unless and until a Default has occurred and is continuing under the Bond Documents, Borrower shall have the sole right to enforce the Operating Agreement for payment of the Capital Contributions by the Tax Credit Investor. See “ADDITIONAL SECURITY FOR THE SERIES 2023B BONDS” in this Limited Offering Memorandum.

Series 2023C Mortgage; TIF Pledge and Assignment Agreement. As further security for the Series 2023C Bonds, and to secure the Borrower’s obligations under the Notes and the Loan Agreement, the Borrower will grant to the Trustee, dated on or about the date of issuance of the Bonds, a Subordinate Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement (the “Series 2023C Mortgage” and, together with the Series 2023A/B Mortgage, the “Mortgages”) to be recorded against the Project in the real property records of Anoka County, Minnesota. Such Series 2023C Mortgage will grant to the Trustee a subordinate lien on and second priority security interest in the Borrower’s fee simple interest in the Project. Such subordinate lien and second priority security interest is subject to Permitted Encumbrances identified in this Limited Offering Memorandum, including the Series 2023A/B Mortgage.

In addition to the subordinate Series 2023C Mortgage and a subordinate pledge of the Project cash flow, the Series 2023C Bonds will be secured by, and payable from, an assignment of the Borrower’s interest in the that certain Limited Revenue Tax Increment Note (the “TIF Note”) to be issued by the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota (the “Fridley HRA”), in

the estimated original aggregate principal amount of \$6,126,000, made pursuant to the Pledge and Assignment of Tax Increment Financing Documents, dated as of June 1, 2023 (the “TIF Pledge and Assignment Agreement”) from the Borrower to the Trustee for the benefit of the Holders of the Series 2023C Bonds. Under the terms of the TIF Pledge and Assignment Agreement, the Borrower has pledged to the Trustee all of the Borrower’s right to receive payments from the TIF Note and pledged such payments to the Trustee. See “ADDITIONAL SECURITY FOR THE SERIES 2023C BONDS” in this Limited Offering Memorandum.

Project Regulation. The Borrower’s operation of the Project will be subject to the terms and restrictions of a Regulatory Agreement, dated as of June 1, 2023 (the “Regulatory Agreement”), entered into among the Issuer, the Borrower and the Trustee, which, among other things, will require that for the Qualified Project Period (as defined in the Regulatory Agreement), at least 40% of the dwelling units in the Project be occupied by families of low or moderate income, defined as families or individuals whose aggregate income does not exceed 60% (adjusted for family size) of the median gross income for the Minneapolis/Saint Paul Metropolitan Statistical Area.

Further, in connection with the federal low-income housing tax credits, no later than the time the Project is placed in service, the Project is expected to be further-encumbered by an extended use agreement required by Section 42 of the Code and recorded when the Project is placed in service (the “Tax Credit Regulatory Agreement”), which will (a) restrict the income levels of 100% of the units in the Project to amounts not greater than 60% of the area median income, adjusted for family size, and (b) restrict the rents which may be charged for occupancy of units in the Project to not more than 30% of 60% of the area median income, adjusted for family size. The Regulatory Agreement and the Tax Credit Regulatory Agreement will have the effect of reducing the potential universe of tenants eligible to reside in the Project. See [“THE PROJECT – Project Regulation” and] “RISK FACTORS AND INVESTMENT CONSIDERATIONS – Project Risks” and “APPENDIX C – FORMS OF THE PRINCIPAL DOCUMENTS – THE REGULATORY AGREEMENT” in this Limited Offering Memorandum.

Risk Factors. AN INVESTMENT IN THE BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK, INCLUDING, AMONG OTHERS, RISKS ASSOCIATED WITH THE LIMITED SOURCE OF PAYMENT FOR THE BONDS AND VARIOUS REAL ESTATE AND OPERATING RISKS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY CONSIDER THE STATEMENTS AND INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE MATERIAL UNDER THE CAPTION “RISK FACTORS AND INVESTMENT CONSIDERATIONS.”

The Bonds may be purchased only by a purchaser meeting the criteria set forth herein under “INVESTOR SUITABILITY STANDARDS.” The Bonds are transferable only as described under “RESTRICTIONS ON OWNERSHIP AND TRANSFER OF BONDS” in this Limited Offering Memorandum.

This Limited Offering Memorandum and the Appendices attached hereto contain descriptions of, among other matters, the Bonds, the Borrower, the Project, the Indenture, the Loan Agreement, the Series 2023A/B Mortgage, the Series 2023C Mortgage, the Regulatory Agreement, and the Continuing Disclosure Agreement. Such descriptions and information do not purport to be comprehensive or definitive. Definitions of certain terms and words used in this Limited Offering Memorandum and not otherwise defined are set forth in the Indenture. All references herein to any agreements are qualified in their entirety by reference to such agreements and documents, and all references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture. Copies of such agreements and all other documents referenced herein are available to the recipient of this Limited Offering Memorandum during the initial placement period by contacting the Underwriter.

THE ISSUER

The Issuer is a home rule charter city and political subdivision organized and existing under the Constitution and laws of the State of Minnesota. Under the terms of the Act, the Issuer is authorized to issue the Bonds and lend the proceeds of the issue and sale of the Bonds to the Borrower to finance, along with other available funds, the Project, [fund any reserve accounts, and pay the costs of issuance for the Bonds].

The Issuer has not participated in the preparation of or reviewed this Limited Offering Memorandum and is not responsible for any information contained herein, except for the information in this Section and under the caption “LITIGATION – The Issuer” as such information applies to the Issuer.

THE PROJECT AND THE PRIVATE PARTICIPANTS

The Borrower is Roers Fridley Apartments Owner II LLC, a Minnesota limited liability company, which was formed for the specific purpose of acquiring, constructing and owning the Project. The managing member of the Borrower is Roers Fridley Apartments Managing Member II LLC, a Minnesota limited liability company (the “Managing Member”), which will have a 0.01% ownership interest in the Borrower pursuant to the Amended and Restated Operating Agreement of Roers Fridley Apartments II LLC, dated June __, 2023 (the “Operating Agreement”), by and among the Managing Member, Brian J. Roers, an individual, as the preexisting non-managing member, Alliant Credit Facility ALP IV, LLC, a Florida limited liability company whose sole member is Alliant Capital, Ltd. (“Alliant”), as the administrative member, which will have a 0.01% ownership interest in the Borrower, and Alliant Credit Investor IV, LLC, a Florida limited liability company whose sole member is Alliant, as the investor limited member (the “Investor Limited Member” or the “Tax Credit Investor”), which will have a 99.98% ownership interest in the Borrower. See “APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS – THE BORROWER” in this Limited Offering Memorandum.

The Developer. Roers Fridley Apartments Developer II LLC, a Minnesota limited liability company (the “Developer”), was formed on March 11, 2023 for the specific purpose of serving as developer for the Project. Roers Companies Project Holdings LLC, a Minnesota limited liability company, owns 75% of the Developer, SEL Project Holdings LLC, a Minnesota limited liability company, owns 5% of the Developer, RPS Project Holdings LLC, a Minnesota limited liability company, owns 5% of the Developer, and AEB Project Holdings LLC, a Minnesota limited liability company, owns 15% of the Developer. See “APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS – THE DEVELOPER” in this Limited Offering Memorandum. The repayment of the Bonds is supported by various limited guarantees from the Developer, including guarantees of completion, debt service and stabilization and certain recourse obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Developer Guaranty [Relating to the Series 2023A Bonds]”, “ – Guaranty of Completion”, “ – Guaranty of Debt Service”, “ – Guaranty of Recourse Obligations”[, and “ – Managing Member Guaranty and Pledge” in this Limited Offering Memorandum.

The Property Manager and the Management Agreement. As further described in Appendix A, the Borrower has entered into a Property Management Agreement (the “Management Agreement”) with Roers Residential LLC (the “Property Manager”), a division of Roers Companies. [The Property Manager will be integral in preparing annual operating budgets, marketing and leasing the Project, collecting rent, managing the payment of operating expenses for the Project, maintaining, and repairing the Project and managing on-site employees.] See “APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS – THE PROPERTY MANAGER AND PROPERTY MANAGEMENT AGREEMENT” in this Limited Offering Memorandum.

Tax Credit Equity. In addition, the Series 2023B Bonds and a portion of the Project will be financed by approximately \$[] in federal tax credit equity to be provided by the Tax Credit Investor's Capital Contributions under the Operating Agreement. See "ADDITIONAL SECURITY FOR THE SERIES 2023B BONDS" in this Limited Offering Memorandum.

For a description of the Borrower and for more information regarding the private participants, see "APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS" in this Limited Offering Memorandum.

The Project

The Project will consist of an approximately 250,000-square-foot rentable apartment community consisting of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6257 University Avenue Northeast in the City of Fridley, Minnesota (the "City"). The Project will consist of one [four][five]-story mid-rise style residential building with steel frame construction on concrete slab foundation, to be developed to a density of 47.8 units per acre. The Project will provide for a total of 271 parking spaces, including 118 off-street parking spaces and 153 garage parking spaces, or 1.5 spaces per unit. Upon completion, the Project will offer 169 one, two, and three-bedroom apartments, consisting of 50 one-bedroom units, 68 two-bedroom units and 51 three-bedroom units.

For a further description of the Project including in-unit and community amenities, construction, the General Contractor and the Architect (each as defined herein), see "APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS – THE PROJECT AND THE PRIVATE PARTICIPANTS" in this Limited Offering Memorandum.

Third-Party Reports

Various third-party reports have been prepared for the Project and are available upon request to the Underwriter, as more particularly described in "APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS" in this Limited Offering Memorandum.

PLAN OF FINANCING

The total cost of the Project is estimated by the Borrower to be approximately \$_____, not including interim sources of funds.

Estimated Sources and Uses of Funds

The Borrower expects the proceeds of the Bonds and additional sources of financing to be used and applied in the following manner:

Sources of Funds:

Series 2023A Bonds

Series 2023B Bonds

Series 2023C Bonds

Tax Credit Equity

Available Tax Increment

Deferred Developer Fee

Total Sources of Funds

Uses of Funds:

Acquisition Costs

Construction Costs

Soft Costs

Financing

Reserves

Developer Fee

Total Uses of Funds

Additional Sources of Financing

Low-Income Housing Tax Credits for the Series 2023B Bonds. Prior to or on the date of issuance of the Bonds, the Tax Credit Investor will receive a 99.98% ownership interest in the Borrower in exchange for certain capital contributions. Pursuant to the Operating Agreement, the equity to be contributed by the Tax Credit Investor is expected to total \$[_____]*, with an initial capital contribution of \$[_____]*. The equity funding arrangements for such ownership interests will require that equity contributions be paid in stages during and after construction of the Project. These funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in variations to the amounts funded and/or the timing or even the occurrence of the funding, and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds.

Tax Increment for the Series 2023C Bonds. Prior to or on the date of issuance of the Bonds, the Borrower will assign its interest in the TIF Note in the original aggregate principal amount of \$6,126,000 issued by Fridley HRA to the Trustee pursuant to a Pledge and Assignment of Tax Increment Financing Documents, dated [June __], 2023 (the “TIF Pledge and Assignment Agreement”), between the Borrower and the Trustee. The Borrower will also assign its rights under the Contract for Private Redevelopment, dated April 6, 2023 (as amended, the “Redevelopment Agreement”), by and between the Fridley HRA and the Borrower, to the Trustee for the benefit of the Bondholders. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS”, “ADDITIONAL SECURITY FOR THE SERIES 2023C BONDS” “TAX INCREMENT CASH FLOW PROJECTIONS” “THE TAX INCREMENT ACT AND THE MINNESOTA PROPERTY TAX SYSTEM”, “RISK FACTORS AND INVESTMENT CONSIDERATIONS – Pledge of Tax Increments and Concentrated Nature of the TIF District” “ – Risks Associated with Collection of Tax Increment”, [ADDITIONAL CROSS REFERENCES TO BE ADDED AS NEEDED], in this Limited Offering Memorandum for more background on the TIF District, the TIF Act, Available Tax Increment and Pledged Tax Increment Revenues.

DEBT SERVICE SCHEDULE

The table below sets forth the amounts required to be paid with respect to the Bonds, assuming no prepayments other than from scheduled mandatory sinking fund redemptions. Interest on the Bonds will be paid on June 1 and December 1 of each year, commencing December 1, 2023*. Principal of the (i) the Series 2023A Bonds is not scheduled to be paid until maturity on June 1, 2041* as the Series 2023A Bonds are interest only, (ii) the Series 2023B Bonds will be paid on June 1 of each year, commencing June 1, 2026*, and (iii) the Series 2023C Bonds will be paid on June 1 of each year, commencing June 1, 2026*,

Year Ending 1	Series 2023A Bonds		Series 2023B Bonds		Series 2023C Bonds		Total Debt Service
	Principal Amount	Interest Amount	Principal Amount	Interest Amount	Principal Amount	Interest Amount	
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2034							
2036							
2037							
2038							
2039							
2040							
2041 ⁽¹⁾							
Totals							

⁽¹⁾ The Series 2023A/B Bonds each have a Balloon Maturity on the June 1, 2041 final maturity date. There are not any reserve funds established under the Indenture.

THE BONDS

The Bonds are available in book-entry only form. See “Book-Entry Only System” below. So long as Cede & Co., as nominee of The Depository Trust Company (“DTC”), is the registered owner of the Bonds, references herein to the Bondholders or holders or Holders or registered owners of the Bonds means Cede & Co. and not the beneficial owners of the Bonds.

General Description

The Bonds are issuable as fully registered bonds without coupons in denominations of \$100,000 each and integral multiples of \$5,000 in excess thereof. The Bonds will be dated their date of delivery. The Bonds will bear interest at the rates, and will mature on the dates and in the amounts, all as set forth on the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2023* (the “Interest Payment Dates”) and be payable as to principal on the dates and in the amounts as set forth in the Indenture. Interest shall be computed on the basis of a year of 360 days and twelve 30-day months.

Book-Entry Only System

The Bonds will be issued in book-entry form. The Depository Trust Company (“DTC”), New York, New York will act as depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Bond will be issued for each maturity in the total aggregate principal amount due on such maturity and will be deposited with DTC. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM” in this Limited Offering Memorandum.

Transfer and Exchange of the Bonds; Transfer Restrictions

[TO BE DISCUSSED] Purchasers of the Bonds must be “qualified institutional buyers” (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended) (the “Securities Act”), or “accredited investors” within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, all as further described under “INVESTOR SUITABILITY STANDARDS” in this Limited Offering Memorandum. The Bonds may be transferred only to other qualified institutional buyers or accredited investors, and only in Authorized Denominations. The initial purchasers of the Bonds will be required to execute an Investor Letter substantially in the form set forth in “APPENDIX G – FORM OF INVESTOR LETTER” attached hereto. The Bonds are transferable only as described under “RESTRICTIONS ON OWNERSHIP AND TRANSFER OF BONDS” in this Limited Offering Memorandum. See “THE BONDS – Transfer and Exchange of Bonds; Transfer Restrictions”, “RESTRICTIONS ON OWNERSHIP AND TRANSFER OF THE BONDS”, “INVESTOR SUITABILITY STANDARDS”, and “APPENDIX G – FORM OF INVESTOR LETTER.” in this Limited Offering Memorandum.

Optional Redemption of Bonds

Series 2023A Bonds. The Series 2023A Bonds are subject to optional redemption by the Issuer, at the direction of the Borrower, in whole but not in part, at any time, upon not less than thirty (30) days written notice to the Trustee on or after June 1, 20__ at a redemption price of 100% of the principal amount thereof plus accrued interest to (but not including) the date of redemption.

Series 2023B Bonds. The Series 2023B Bonds are subject to optional redemption by the Issuer, at the direction of the Borrower, in whole but not in part, at any time, upon not less than thirty (30) days written notice to the Trustee on or after June 1, 20__ at a redemption price of 100% of the principal amount thereof plus accrued interest to (but not including) the date of redemption.

Series 2023C Bonds. The Series 2023C Bonds are subject to optional redemption by the Issuer, at the direction of the Borrower, in whole but not in part, at any time, upon not less than thirty (30) days written notice to the Trustee on or after June 1, 20__ at a redemption price of 100% of the principal amount thereof plus accrued interest to (but not including) the date of redemption.

Mandatory Redemption of Bonds

Mandatory Redemption from Surplus Bond Proceeds. The Bonds are subject to mandatory redemption from, and to the extent of, Surplus Bond Proceeds, if any, on deposit in the Surplus Fund (subject to the Indenture) on the first Interest Payment Date for which notice of redemption can be given in accordance with the Indenture, following the deposit of Surplus Bond Proceeds, if any, in the Surplus Fund at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus interest accrued thereon to, but not including, the redemption date. Amounts in the Surplus Fund shall be applied first to the redemption of the Series 2023A Bonds, and, if no Series 2023A Bonds are Outstanding, then to the redemption of the Series 2023B Bonds, and if no Series 2023A/B Bonds are Outstanding, then to the redemption of the Series 2023C Bonds.

Mandatory Redemption from Insurance Proceeds or Condemnation Award. The Bonds are subject to mandatory redemption in whole or in part on the first Interest Payment Date for which notice of redemption can be given in accordance with the Indenture after and to the extent that Insurance Proceeds or a Condemnation Award in connection with the Project are deposited in the Project Fund and are not to be used to repair or restore the Project at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus interest accrued thereon to, but not including, the redemption date.

Mandatory Redemption Upon Stabilization – Series 2023A Bonds. The Series 2023A Bonds are subject to mandatory redemption in part on the first Interest Payment Date for which notice of redemption can be given in accordance with the Indenture, at a redemption price equal to 100% of the principal amount of the Series 2023A Bonds to be redeemed plus interest accrued thereon to, but not including, the redemption date, in the amount as specified by the Bondholder Representative necessary to cause the Project to meet the requirements of clause (ii) of the definition of “Stabilization,” if the Project has not achieved Stabilization by the Stabilization Date.

For purposes of this section, “Stabilization Date” means the earlier to occur of: (i) the date specified by the Bondholder Representative that all of the conditions to achievement of Stabilization have been satisfied; or (ii) June 1, 2026 which date may be extended for an additional six (6) months at the request of the Borrower, as the same may be further extended with the prior written consent of the Bondholder Representative to be granted or withheld in its sole but reasonable discretion

Mandatory Redemption upon Occurrence of Extraordinary Events. The Bonds are subject to extraordinary mandatory redemption in whole or in part, at the direction of the Bondholder Representative to the Trustee and the Borrower, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, without premium or penalty (other than for an acceleration of the Bonds due to a Borrower Event of Default under the Loan Agreement), plus interest accrued thereon to, but not including, the redemption date, on the first Interest Payment Date for which notice of redemption can be given in accordance with the Indenture following receipt by the Trustee of the written direction of the Bondholder Representative, within one hundred eighty (180) days of the occurrence of any of the following events:

(i) the Project shall have been damaged or destroyed and the Bondholder Representative shall have elected, in accordance with and subject to the terms of its Mortgage, to apply the Insurance Proceeds related thereto to the payment of the Bonds;

(ii) title in and to, or the temporary use of, all or substantially all of the Project shall have been taken under the exercise of the power of eminent domain by any Governmental Authority or any Person acting under Governmental Authority (including such a taking as, in the judgment of the Bondholder Representative, results in the Borrower being prevented thereby from carrying on its normal operations at the Project for a period of twelve (12) consecutive months); and the Bondholder Representative shall have elected, in accordance with and subject to the terms of the Mortgages, to apply the Condemnation Award related thereto to the payment of the Bonds;

(iii) as a result of any changes in the Constitution of the State, or the Constitution of the United States of America or by legislative or administrative action (whether state or federal) or by final decree, judgment, decision or order of any court or administrative body (whether state or federal), the Loan Agreement or the Bond Documents (in each case, as determined by the Bondholder Representative) shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein, and the Borrower shall have not agreed to amend such provision so as to make it not void, unenforceable or impossible;

(iv) unreasonable burdens or excessive liabilities shall have been imposed on the Borrower with respect to the operations of the Project, including, without limitation federal, state or other ad valorem,

property, income or other taxes not being imposed on the date of the Indenture that, in the judgment of the Bondholder Representative, render the continued operation of the Project uneconomical and the Borrower is not able to assure debt service payments on the Bonds;

(v) changes which the Borrower cannot reasonably control or overcome in the economic availability of materials, supplies, labor, equipment and other properties and things necessary for the efficient operation of the Project for the purposes contemplated by the Loan Agreement shall have occurred or technological changes that the Borrower cannot reasonably overcome shall have occurred that, in the judgment of the Bondholder Representative, render the continued operation of the Project uneconomical and the Borrower is not able to assure debt service payments on the Bonds;

(vi) legal curtailment of the Borrower's use and occupancy of all or substantially all of the Project for any reason other than that set forth in (B) above, which curtailment shall, in the judgment of the Bondholder Representative, prevent the Borrower from carrying on its normal operations at the Project for a period of twelve (12) consecutive months and the Borrower is not able to assure debt service payments on the Bonds; or

(vii) the Loan Agreement is terminated prior to its expiration for any reason, including the occurrence of an Event of Default under the Loan Agreement.

Mandatory Redemption upon Determination of Taxability. The Bonds are subject to mandatory redemption in whole at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus interest accrued thereon to, but not including, the redemption date, on the first Interest Payment Date for which notice of redemption can be given in accordance with the Indenture within forty-five (45) days after the occurrence of a Determination of Taxability; provided, however, if mandatory redemption on account of a Determination of Taxability of less than all the Bonds would result, in the opinion of Bond Counsel, in the interest on the Series 2023A Bonds Outstanding following such mandatory redemption being excludable from the gross income of the Holders of such Series 2023A Bonds Outstanding, then the Bonds are subject to mandatory redemption upon the occurrence of a Determination of Taxability in the amount specified in such opinion, provided that such redemption must be in an Authorized Denomination.

[UNDER REVIEW][Mandatory Redemption of Series 2023B Bonds Not Remarketed – Series 2023B Bonds] The Series 2023B Bonds are subject to mandatory redemption in whole at a redemption price of 100% of the Outstanding principal amount thereof, plus accrued interest to the Redemption Date, on the Mandatory Tender Date upon the occurrence of any of the following events: (i) the Borrower has previously elected not to cause the remarketing of the Bonds; (ii) the conditions to remarketing set forth in the Indenture have not been met by the dates and times set forth therein; or (iii) the proceeds on deposit in the Remarketing Proceeds Account at 11:00 a.m. Local Time on the Mandatory Tender Date are insufficient to pay the purchase price of any remarketed Series 2023B Bonds on such Mandatory Tender Date. Series 2023B Bonds subject to redemption in accordance with this paragraph shall be redeemed from amounts on deposit in the Equity [Fund][Account] and any other Eligible Funds available or made available for such purpose at the written direction of the Borrower.]

Special Mandatory Redemption from Available Tax Increments – Series 2023C Bonds. The Series 2023C Bonds are subject to special mandatory redemption from Available Tax Increment Revenues deposited in the Tax Increment Account of the [Bond Fund] in accordance with the provisions of the Indenture on each Principal Payment Date, commencing with the June 1, 2026. Such special redemption amount will be in addition to the regularly scheduled mandatory sinking fund redemption on such Principal Payment Date and only to the extent that there are funds on deposit in the Tax Increment Account of the Bond Fund sufficient to make such redemption and pay the interest due on the Series 2023C Bonds on the next two Interest Payment Dates plus the principal due on the next Principal Payment Date. The Series

2023C Bonds will be specially redeemed at a redemption price equal to the principal amount of the Series 2023C Bonds, plus accrued interest thereon to the [Special Redemption Date]. As required by the Indenture, all Available Tax Increment is required to be deposited into the Tax Increment Account of the [Bond Fund].

Mandatory Sinking Fund Redemption – Series 2023B Bonds and Series 2023C Bonds. The Series 2023A Bonds do not have scheduled payments of principal or mandatory sinking fund redemption and there is no amortization of the Series 2023A Bonds. The Series 2023B Bonds and the Series 2023C Bonds are subject to mandatory sinking fund redemption in part on each Principal Payment Date, from amounts paid by the Borrower to the Trustee for deposit into the Redemption Fund pursuant to the Loan Agreement in the amount set forth in the schedule below, at a redemption price equal to 100% of the principal amount of the series of Bonds to be redeemed plus interest accrued thereon to, but not including, the redemption date; provided, however, that such schedule may be adjusted in the event of a partial redemption of the Bonds as described under the heading “Partial Redemption; Re-amortization” below.

\$_____ * Series 2023B Bonds Maturing June 1, 2041**

Payment Date (June 1)	Principal Amount	Payment Date (June 1)	Principal Amount
2026		2034	
2027		2035	
2028		2026	
2029		2037	
2030		2038	
2031		2039	
2032		2040	
2033		2041 ⁽¹⁾	

⁽¹⁾ Stated maturity.

\$_____ * Series 2023C Bonds Maturing June 1, 2041*

Payment Date (June 1)	Principal Amount	Payment Date (June 1)	Principal Amount
2026		2034	
2027		2035	
2028		2026	
2029		2037	
2030		2038	
2031		2039	
2032		2040	
2033		2041 ⁽¹⁾	

⁽¹⁾ Stated maturity.

Mandatory Tender and Remarketing – Series 2023B Bonds

[Mandatory Tender. All Outstanding Series 2023B Bonds shall be subject to mandatory tender by the holders thereof for purchase in whole and not in part on each Mandatory Tender Date. The purchase price for each such Series 2023B Bonds shall be payable in lawful money of the United States of America

by check or draft, shall equal 100% of the principal amount to be purchased and accrued interest, if any, to the Mandatory Tender Date, and shall be paid in full on the applicable Mandatory Tender Date.

Notwithstanding anything in the Indenture to the contrary, any Series B Bond tendered under this heading will not be purchased if such Series B Bond matures or is redeemed on or prior to the applicable Mandatory Tender Date.

While tendered Series 2023B Bonds are in the custody of the Trustee pending purchase pursuant to the Indenture, the tendering holders thereof shall be deemed the owners thereof for all purposes, and interest accruing on tendered Series 2023B Bonds through the day preceding the applicable Mandatory Tender Date shall be paid as if such Series 2023B Bonds had not been tendered for purchase.

Remarketing. The Series 2023B Bonds shall be remarketed by the Remarketing Agent in such amount as determined by the Servicer, as will result in the ratio of Stabilized NOI for the three (3) consecutive months end two months prior to the Stabilization Date to the maximum principal and interest payable in any three (3) consecutive months on the amount of Series 2023A Bonds Outstanding plus the amount of Series 2023B Bonds to be remarketed is equal to or greater than 1:15 to 1:00.

The Trustee shall utilize amounts representing proceeds of any remarketed Series 2023B Bonds on deposit in the Remarketing Proceeds Account to pay the principal amount, plus accrued interest, of Series 2023B Bonds tendered for purchase and remarketed by the Remarketing Agent in accordance with the direction of the Borrower, based on the determination of the Servicer as described above.

The Trustee shall utilize amounts on deposit in the Equity [Fund][Account] to pay the principal amount, plus accrued interest, of Series 2023B Bonds tendered for purchase and not remarketed by the Remarketing Agent not later than 11:30 a.m. Local Time on the Mandatory Tender Date.

Series 2023B Bonds shall be deemed to have been tendered for purposes of this heading whether or not the holders thereof shall have delivered such undelivered Series 2023B Bonds to the Trustee, and subject to the right of the holders of such undelivered Bonds to receive the purchase price of such Series 2023B Bonds and interest accrued thereon to the Mandatory Tender Date, such undelivered Series 2023B Bonds shall be null and void. If such undelivered Series 2023B Bonds are to be remarketed, the Trustee shall authenticate and deliver new Series 2023B Bonds in replacement thereof pursuant to the remarketing of such undelivered Series 2023B Bonds.]

Partial Redemption; Re-amortization

Subject to the provisions of the Indenture, upon presentation and surrender of any Bond redeemed only in part by the Holder thereof, the Issuer shall execute and the Trustee shall authenticate and deliver to or upon the order of such Holder, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds, at the option of such Holder, of any Authorized Denomination of like tenor, or if less than the minimum Authorized Denomination, an amount necessary to equal the unredeemed portion of the principal amount of the Bond. When the Bonds are in the Book-Entry System, the surrender of the Bonds and delivery of the unredeemed portion of the principal amount of the Bonds shall be done pursuant to the applicable procedures of DTC.

In the event of a partial redemption of Bonds other than pursuant to the mandatory sinking fund provisions of the Indenture, the mandatory sinking fund schedule will be adjusted to provide for level debt service for the Bonds remaining Outstanding after such partial redemption.

Selection of Bonds to be Redeemed

If less than all of the Outstanding Bonds are called for redemption the Trustee will select or arrange for the selection of Bonds to be redeemed by lot in Authorized Denominations, provided that any Bond or portion thereof remaining Outstanding shall be in an Authorized Denomination. If the Bonds are held in the Book-Entry System, the DTC shall reflect such partial redemption pursuant to its rules and procedures.

[No Redemption of Series 2023A Bonds Prior to Placed in Service Date]

Notwithstanding anything to the contrary contained in the Indenture, the Bonds shall not be optionally redeemed prior to the date upon which the Borrower has advised the Trustee in writing that the Project has been placed in service for purposes of Section 42 of the Code.]

Notice of Redemption

Notice of redemption shall be sent by Electronic Means or mailed by the Trustee by first-class mail, postage prepaid, (i) at least forty-five days before the redemption date to the Issuer, and (ii) at least twenty (20) days before the redemption date to each Holder of the Bonds to be redeemed, in whole or in part, at his/her last address appearing on the Register, with a copy to the Bondholder Representative, but no defect in or failure to give such notice of redemption shall affect the validity of the redemption; provided, however, that no notice of redemption shall be required for mandatory sinking fund redemption. All Bonds properly called for redemption and for which monies for payment of the redemption price are held by the Trustee will cease to bear interest on the date fixed for redemption, and, thereafter, the Holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed. Notwithstanding the foregoing, with respect to any Bonds held under the Book Entry System, notices of redemption shall be provided in accordance with the rules and procedures established by DTC, as more fully described in the Indenture.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Limited Obligations of Issuer

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE SECURITY PLEDGED THEREFOR UNDER THE INDENTURE. NONE OF THE STATE, NOR ANY POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC, OR AGENCY, OF THE STATE OR THE ISSUER (EXCEPT TO THE LIMITED EXTENT PROVIDED HEREIN) SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NEITHER THIS BOND NOR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE STATE, OR ANY POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE OR THE ISSUER (EXCEPT TO THE LIMITED EXTENT PROVIDED HEREIN), WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

Security

The Bonds constitute special, limited obligations of the Issuer payable solely from and secured by the following: (i) all moneys from time to time paid by the Borrower pursuant to the terms of the Loan Agreement, the Note and the Bond Documents and all right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) under and pursuant to and subject to the

provisions of the Loan Agreement, the Bond Documents and the Note (but in each instance excluding the Reserved Rights, as defined herein) (including for the Series 2023B Bonds certain Capital Contributions to be made to the Borrower by the Investor Limited Member and for the Series 2023C Bonds the Available Tax Increment from the TIF District); (ii) all other moneys and securities from time to time held by the Trustee under the terms of this Indenture, excluding the Remarketing Proceeds Account, the Rebate Fund and excluding amounts required to be rebated to the United States Department of the Treasury under Section 148(f) of the Internal Revenue Code of 1986, as amended, whether or not held in the Rebate Fund; (iii) any and all property, rights and interests (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder to the Trustee, which the Trustee is hereby authorized to receive at any and all times and to hold and apply the same subject to the terms of this Indenture; and (iv) all of the proceeds of the foregoing (except the amounts payable to or on behalf of the Issuer on account of its Reserved Rights), including without limitation investments thereof (collectively, the “Security”). Under the terms of the Indenture, the Borrower’s pledge of Project revenues to pay debt service on the Series 2023C Bonds is junior and subordinate to the pledge to pay debt service on the Series 2023A/B Bonds.

Repayment of Loan; Limited Recourse to Borrower

The Loan Agreement and the Notes obligate the Borrower to pay to the Trustee, for the account of the Issuer, ratable monthly payments equal to the amounts required to pay the interest coming due on each Interest Payment Date plus the principal amount of the Bonds maturing or required to be redeemed pursuant to the Indenture.

The Borrower’s obligation to make Repayments with respect to the Bonds is a limited obligation of the Borrower, and holders of the Bonds will have recourse only to the Project, the revenues therefrom and the moneys held in the Funds and Accounts created under the Indenture (except as specifically set forth therein) to satisfy the obligations of the Borrower with respect to the Bonds (and with respect to the Series 2023B Bonds, the Tax Credit Equity and with respect to the Series 2023C Bonds the Available Tax Increment pledged to the Trustee under the terms of the TIF Pledge and Assignment Agreement). No other revenues or assets of the Borrower or its partners will be available for the payment of, or as security for, the Bonds.

Pursuant to the Indenture, the Issuer will pledge and assign all its rights and interests (except certain reimbursement and indemnification rights of the Issuer and its rights to perform discretionary acts) and all amounts payable (other than certain fees and expenses due to the Issuer) under the Loan Agreement, the Notes and the Mortgages to the Trustee, in trust, to be held and applied pursuant to the provisions of the Indenture, for the benefit of the Holders of the Bonds.

Series 2023A/B Mortgage

As further security for the Series 2023A Bonds, and to secure the Borrower’s obligations under the Notes and the Loan Agreement, the Borrower will grant to the Trustee, dated on or about the date of issuance of the Bonds, a Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement (the “Series 2023A/B Mortgage”) to be recorded against the Project in the real property records of Anoka County, Minnesota. Such Series 2023A/B Mortgage will grant to the Trustee a first priority lien on and security interest in the Borrower’s fee simple interest in the Project and the right, title and interests of the Borrower in the rents and leases and other property as described in the Series 2023A/B Mortgage, subject only to certain Permitted Encumbrances identified in this Limited Offering Memorandum. The mortgaged property includes generally all the land and the buildings, fixtures and equipment comprising the Project. Such first priority lien and security interest is subject to Permitted Encumbrances identified in this Limited Offering Memorandum. See “APPENDIX C – FORMS OF THE PRINCIPAL DOCUMENTS – THE [SERIES 2023A] MORTGAGE.”

Assignment of Management Agreement

Pursuant to an Assignment of Management Agreement and Consent, dated as of June 1, 2023 (the “Assignment of Management Agreement”), from the Borrower for the benefit of the Trustee, the Borrower has granted and assigned all of its rights, title and interest in the Management Agreement to the Trustee as security for its obligations under the Bond Documents.

Assignment of Project Documents

Pursuant to an Assignment of Project Documents and Consent, dated as of June 1, 2023 (the “Assignment of Project Documents”), from the Borrower to the Trustee, the Borrower, in order to secure its obligations under the Bond Documents, has granted to the Trustee all of its rights, title and interest to: (a) the Architect’s Agreement between the Borrower and Kaas Wilson Architects, LLC (the “Architect”) pursuant to which the Architect has produced plans and specifications for the construction of the Project; (b) the Construction Contract between the Borrower and Roers General Contracting LLC (the “General Contractor”) for the construction of the Project; (c) all approvals and permits obtained or to be obtained by the Borrower in connection with the construction of the Project and (d) all marketing materials including logos, trade names and trademarks the Borrower has used or plans to use in connection with the Project.

Environmental Indemnity Agreement

The Borrower and the Developer have entered into an Environmental Indemnity Agreement, dated as of [June 1], 2023 (the “Environmental Indemnity Agreement”), in favor of the Trustee. Pursuant to the Environmental Indemnity Agreement the Borrower and the Developer have made certain representations and warranties relating to, among other things, the existence or non-existence of certain environmental conditions affecting the Project, and the disclosure of any inspections, violations, prohibited activities, suits, claims, and complaints, all in accordance with the requirements of the Loan Agreement. Further, the Borrower and the Developer have covenanted to indemnify each of the Trustee, the Issuer, the Bondholder Representative, and the holder of the Bonds against claims arising from, among other things, the Borrower’s breach of representations and warranties or failure to perform its obligations under the Environmental Indemnity Agreement.

Developer Guaranty [Relating to the Series 2023A Bonds]

[TO BE CONFIRMED GUARANTY FOR A BONDS ONLY OR A, B, AND C] Pursuant to a Developer Limited Guaranty, Pledge and Security Agreement, dated as of [June 1], 2023 (the “Developer Guaranty”), from the Developer in favor of the Trustee, the Developer has absolutely, irrevocably and unconditionally guaranteed the full and punctual payment and performance by the Borrower, up to and including the achievement of Stabilization, of the payment and other covenants and guaranteed obligations, including all amounts due under the Notes, the Loan Agreement, the other Bond Documents, and all other indebtedness and obligations of the Borrower to the Trustee under the Bond Documents.

Guaranty of Completion

Pursuant to a Guaranty of Completion, dated as of [June 1], 2023 (the “Completion Guaranty”), from the Developer in favor of the Trustee, the Developer has unconditionally and irrevocably guaranteed to the Trustee: (a) the full and complete construction, improvement, installation and equipping of the Improvements on or before the Completion Date, free and clear of all liens and otherwise in compliance with the definition of the term “Final Completion” in the Indenture and the requirements of the Loan Agreement; (b) the payment of all Project Costs as shown on the Development Budget required for or incurred prior to completion of the construction of the Improvements, as and when such payment shall become due; and (c) the payment of any and all costs and expenses, including without limitation reasonable

attorneys' fees, incurred by the Trustee or the Bondholder Representative in connection with the enforcement of the Borrower's obligation to complete the construction of the Improvements pursuant to and in accordance with the Loan Agreement, as and when demanded by the Trustee.

Guaranty of Debt Service

Pursuant to a Guaranty of Debt Service and Stabilization, dated as of [June 1], 2023 (the "Debt Service Guaranty"), from the Developer in favor of the Trustee, the Developer has unconditionally and irrevocably guaranteed to the Trustee to duly, punctually and fully pay and perform, the following: (a) all indebtedness of the Borrower to the Issuer and/or the Trustee evidenced by the Loan Agreement and/or incurred under the Bond Documents, both principal and interest, and any refinancing or refunding of any thereof, and all other amounts due or to become due under the Loan Agreement and the other Bond Documents, including all payments due in respect of the repayment of the loan of the proceeds of the Bonds, and any refinancing or refunding of any thereof, whether now existing or hereafter arising, contracted or incurred; (b) the deposit with the Trustee of any amounts necessary to redeem the Bonds, in part, pursuant to the Indenture, in order for the Project to achieve the requirements of "Stabilization" as defined in the Indenture, if the Project has not otherwise achieved Stabilization by the Stabilization Date; and (c) all covenants, agreements, obligations and liabilities of the Borrower under the Loan Agreement and the other Bond Documents, including covenants relating to the repayment of the loan of the proceeds of the Bonds, whether now existing or arising in the future, contracted or incurred, as and when such payment or performance shall become due (whether by acceleration or otherwise) in accordance with the terms of the Bond Documents. The Debt Service Guaranty terminates at Stabilization.

Guaranty of Recourse Obligations

Pursuant to a Guaranty of Recourse Obligations, dated as of [June 1], 2023 (the "Guaranty of Recourse Obligations"), from the Developer in favor of the Trustee, Developer irrevocably and unconditionally agrees to defend, indemnify and hold harmless the Trustee, Bondholder Representative and any Bondholder and their respective successors and assigns, from and against any and all liabilities arising out of, attributable to, and to the extent of any Partial Recourse Event as described in the Loan Agreement. Further, the Developer irrevocably and unconditionally guarantees to the Trustee the full payment of all present and future indebtedness, liabilities and obligations of any kind or nature whatsoever of the Borrower to the Issuer, the Bondholder Representative, the Trustee or the Holders from time to time of the Bonds, in connection with any of the Bond Documents, including all future advances, principal, interest, indemnities, other fees, late charges, enforcement costs and other costs and expenses whether direct or contingent, matured or unmatured and all other obligations of the Borrower to the Bondholder Representative, the Trustee, the Issuer or the Holders from time to time of the Bonds immediately upon the occurrence of a Full Recourse Event as described in the Loan Agreement.

[Managing Member Guaranty and Pledge]

[TO BE DISCUSSED] Pursuant to a Limited Guaranty, Pledge of Partnership Interests and Security Agreement, dated as of _____ 1, 2023 (the "Managing Member Guaranty"), from Roers Fridley Apartments Managing Member II LLC (the "Managing Member"), in favor of the Trustee, the Managing Member has absolutely, irrevocably and unconditionally guaranteed the full and punctual payment and performance by the Borrower of the payment and other covenants and obligations of the Borrower to the Issuer or the Trustee under the Bond Documents. The Managing Member Guaranty is without recourse to any asset of the Managing Member except for the collateral pledged in the Managing Member Guaranty.]

Replacement Reserve Agreement

Pursuant to a Replacement Reserve and Security Agreement, dated as of [June 1], 2023, from the Borrower to the Trustee, the Borrower has agreed to pay, commencing on the first Business Day of the month following the Completion Date, and on the first Business Day of each month thereafter while the Bonds are outstanding, to the Trustee for deposit into the Replacement Reserve Fund established under the Indenture an amount equal to one twelfth (1/12th) of the product of \$___ times the number of units at the Project or such higher amount as may be required by the Engineering Consultant or pursuant to the Annual Budget as described in the Loan Agreement. [The Unit Reserve Amount shall increase by ___% each year, commencing with the year beginning on January 1, 20__.]

Operation of the Project

Payments to be made by the Borrower pursuant to the Loan Agreement will be derived solely from revenues generated by the operation of the Project and the monies held in the Funds and Accounts held under the Indenture. NO REPRESENTATIONS OR ASSURANCES CAN BE MADE THAT REVENUES WILL BE REALIZED BY THE BORROWER IN AMOUNTS NECESSARY TO ENABLE THE BORROWER TO MAKE PAYMENTS PURSUANT TO THE LOAN AGREEMENT SUFFICIENT TO PAY THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS.

Special Covenants

Adoption of Budget. On or before December 1 of each Fiscal Year following Final Completion, the Borrower will submit a proposed capital and operating budget for the Project to the Bondholder Representative. If any proposed budget is not disapproved by the Bondholder Representative within thirty (30) days following submission by the Borrower, such budget will be deemed approved. If any budget is disapproved, the Borrower is required to consult with the Bondholder Representative in an effort to achieve an acceptable budget for an additional thirty (30) days. To the extent the proposed operating budget is disapproved, the operating budget for the previous Fiscal Year shall remain in effect increased by five percent (5%) over the previous Fiscal Year.

Construction of Project. The Borrower will construct or renovate the Project in a workmanlike manner and substantially in accordance with the Plans and Specifications and in compliance with all applicable Governmental Actions and Legal Requirements. The Borrower will take all necessary steps to assure that commencement of construction of the Project will begin within thirty (30) days following the date of issuance of the Bonds, will proceed continuously and diligently and in a commercially reasonable manner, and will be completed lien free in a timely manner substantially in accordance with the Plans and Specifications and in all instances in compliance with all applicable Governmental Actions and Legal Requirements, on or before the Completion Date.

Sufficiency of Loan Proceeds. If, for any reason, the Bondholder Representative shall, in the reasonable exercise of the Bondholder Representative's judgment, determine that the combined total of (i) the remaining proceeds of the Loan and (ii) any other sums deposited by the Borrower with the Trustee and the capital contributions from the Borrower's partners are insufficient to complete the construction or renovation of the Project, then the Bondholder Representative may require the Borrower to deposit with the Trustee for deposit into the Project Fund, within ten (10) days after written request by the Bondholder Representative, the projected deficiency, and such deposit shall be first disbursed in the same manner as the Loan is to be disbursed as provided in the Loan Agreement before any further disbursements of the proceeds of the Loan shall be made.

No Credit Enhancement Facility

THERE IS NO CREDIT ENHANCEMENT FACILITY SECURING ANY OF THE BONDS AS INITIALLY ISSUED, NOR IS THERE ANY PROVISION FOR A CREDIT ENHANCEMENT FACILITY TO BE PROVIDED TO SECURE ANY OF THE BONDS FOLLOWING ISSUANCE OF THE BONDS.

Other Covenants of the Borrower

Under the Loan Agreement, the Mortgages and the Regulatory Agreement, the Borrower is required to comply with certain other covenants and agreements. See “APPENDIX C –FORMS OF THE PRINCIPAL DOCUMENTS – THE LOAN AGREEMENT,” “– THE MORTGAGE” and “– THE REGULATORY AGREEMENT.”

ADDITIONAL SECURITY FOR THE SERIES 2023B BONDS

[SECTION TO BE FURTHER UPDATED WITH A&R OPERATING AGREEMENT]

Series 2023A/B Mortgage

Series 2023A/B Mortgage. On parity with the Series 2023A Bonds, the Series 2023B Bonds will be secured by a senior mortgage lien and security interest in the Project pursuant to the Series 2023A/B Mortgage. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Series 2023A/B Mortgage” in this Limited Offering Memorandum.

Assignment of Capital Contributions

Pursuant to an Assignment of Capital Contributions, dated as of June 1, 2023 (the “Assignment of Capital Contributions”), from the Borrower for the benefit of the Trustee, the Borrower has agreed to transfer and assign to the Trustee all of the Borrower’s rights under the Operating Agreement to receive and enforce payment of Capital Contributions (as such term is defined in the Operating Agreement) through and including the achievement of Stabilization; provided, however, unless and until a Default has occurred and is continuing under the Bond Documents, Borrower shall have the sole right to enforce the Operating Agreement for payment of the Capital Contributions by the Tax Credit Investor.

Scheduled Capital Contributions to the Borrower

The following table summarizes the capital contributions to be paid into the Borrower; each capital contribution (other than the contribution to be made at closing) is required to be made within fifteen (15) days after the satisfaction of the conditions referenced below and certain other conditions set forth in the Operating Agreement.

Each of the capital contributions will be composed of contributions from the Investor Limited Member, as shown in the following table.

	#1	#2	#3	Total
Investor Limited Member Contribution	\$ _____	\$ _____	\$ _____	\$ _____

Summary of Pledged Amounts

Second Installment of Capital Contributions
Third Installment of Capital Contributions _____

Total Amount Pledged to the Bonds

Par Amount of Bonds

Excess Amount Pledged to the Bonds

The Pledged Capital Contributions

The Investor Limited Member will have a 99.98% membership interest in the Borrower, which will result in an allocation of 99.98% of the federal low income housing tax credits available to the Project being allocated to the Investor Limited Member, and will, pursuant to the Operating Agreement, make total equity contributions to the Borrower of approximately \$[_____] in capital contributions (the “Capital Contributions”), payable in installments. The second installment of the Capital Contributions (the “Second Installment of Capital Contributions”) and the third installment of the Capital Contributions (the “Third Installment of Capital Contributions,” and together with the Second Installment of Capital Contributions, the “Pledged Capital Contributions”) are scheduled to be in the aggregate amount of \$_____, and are to be made upon the later of thirty-six (36) months following the Stabilization Date (as defined below) or the satisfaction of the conditions described in the paragraphs below. The Second Installment of Capital Contributions will be used to fully redeem the Bonds. The Pledged Capital Contributions are assigned to the Trustee to secure the repayment of the Bonds. The Operating Agreement defines “Stabilization Date” as the first day of the month following a 3-month period during which period the Project has maintained an average Debt Service Coverage Ratio of 1.15 to 1.0. Capitalized terms used in this section and not defined herein shall have the meaning set forth in the Operating Agreement. See “APPENDIX C – FORMS OF THE PRINCIPAL DOCUMENTS – AMENDED AND RESTATED OPERATING AGREEMENT” in this Limited Offering Memorandum.

Investor Limited Member Capital Contributions. Pursuant to the Operating Agreement, the Investor Limited Member has agreed to make Capital Contributions to the Partnership in the aggregate amount of \$_____, in accordance with the schedule of payments set forth below under the heading “Schedule of Capital Contributions” as set forth as an exhibit to the Operating Agreement. The obligation of the Investor Limited Member to make the Capital Contributions is subject to satisfaction of the conditions precedent to each Capital Contribution as required by the Operating Agreement and described below. The determination of whether or not a condition precedent to a Capital Contribution has been satisfied shall be made in the reasonable discretion of the Investor Limited Member within ten (10) Business Days of receipt of any single item. Upon disapproval of an item, the Managing Member and Investor Limited Member shall take all steps necessary to correct any deficiencies and resubmit the same as soon as practical thereafter. Each such Capital Contribution shall be made within ten (10) Business Days of the satisfaction of the last condition precedent thereto. The Investor Limited Member may, at the Partnership’s expense, hire the Construction Inspector to review on behalf of the Investor Limited Member the construction of the Project to determine, in part, whether such construction is defect free and in accordance with the Plans and Specifications and to review and approve draw requests submitted by the Managing Member and Investor Limited Member under the Operating Agreement.

Conditions for Capital Contributions. The obligation to pay the amounts due under the Operating Agreement shall also be expressly conditioned upon each of the following requirements being satisfied at all times prior to and including the due dates of the respective payment:

- (a) The Managing Member and/or Investor Limited Member shall have complied in all material respects with all of its covenants and obligations set forth in the Operating Agreement;
- (b) The Managing Member and/or Investor Limited Member shall have fully complied with furnishing the Investor Limited Member any reports or other information required to be

provided by the Managing Member and/or Investor Limited Member pursuant to the Operating Agreement;

(c) There has been no change in any law or regulation which would adversely affect the ability of the Partnership to generate Tax Credits;

(d) There has been no default under the Project Documents that is ongoing and no event has occurred, which event with notice of the passage of time, would give rise to such a default; and

(e) So long as the Construction Loan is outstanding and has not converted to its permanent phase, the Construction Loan shall be In Balance; and all construction and development work completed, as of the date of any funding, shall have been done so in accordance with the Plans and Specifications.

Adjustments to Capital Contributions of Investor Limited Member. The Pledged Capital Contributions are subject to adjustment (including downward or a positive adjustment) as provided in the Operating Agreement, which may adversely affect the security for the Bonds.

Deposit of Capital Contributions. The Second Capital Contribution and Third Capital Contribution of the Invested Limited Partner shall be deposited with the Trustee to redeem the Bonds as provided in the Operating Agreement.

Withholding of Capital Contribution Upon Default. The Operating Agreement provides that the Pledged Capital Contributions may be withheld if certain conditions to the Operating Agreement have not been met.

The Second Capital Contribution. Under the Operating Agreement, the following is a summary of certain of the conditions to the Investor Limited Member making the Second Installment of Tax Credit Equity. Reference is made to the full form of Operating Agreement attached hereto at APPENDIX F for a complete list of conditions. Capitalized terms not otherwise defined below are defined in the Operating Agreement, a form of which is attached hereto as APPENDIX F.

(a) Completion of construction and receipt of final construction documents including updated and recertified as-built ALTA/NSPS standards survey; As-Built Plans and Specifications; any permits and license for the operation of the Project; final sworn statement or affidavit of final construction cost;

(b) Payment to Contractor (subject to holdback for punch list items);

(c) Payment to the Solar Contractor as evidenced by an architect's certificate for payment on applicable AIA forms;

(d) Final lien waivers;

(e) Receipt of an audited cost certification for the Project prepared by the Accountants;

(f) Achievement of Final Closing;

(g) Achievement of Stabilization Date, which may occur contemporaneously with the funding of the Second Capital Contribution;

(h) 100% Qualified Occupancy evidenced by submission to the Investor Limited Member of certified rent rolls and tenant income certification documents; and

(i) 90% physical occupancy for 90 consecutive days.

The Borrower currently expects that the Second Installment of Capital Contributions will be made on or before April 1, 2025 and that such installment will be used to redeem Bonds in an amount rounded down to the nearest Authorized Denomination on the earliest practicable date for which notice can be given to Bondholders pursuant to the Indenture, which will result in the full redemption of the Bonds.

The Third Capital Contribution. Under the Operating Agreement, the following is a summary of certain of the conditions to the Investor Limited Member making the Third Installment of Capital Contributions. Reference is made to the full form of Operating Agreement attached hereto at APPENDIX F for a complete list of conditions. Capitalized terms not otherwise defined below are defined in the Operating Agreement, a form of which is attached hereto as APPENDIX F.

(a) IRS Form 8609 for the entire Project;

(b) Evidence that the Operating Reserve has been initially funded or funded concurrently; and

(c) Satisfaction of all unsatisfied conditions to all prior Capital Contributions.

Capitalized Interest

A portion of the proceeds of the Series 2023B Bonds will be used to fund capitalized interest for the payment of interest during the term of the Bonds through the Mandatory Tender Date. Such funds must be used by the Trustee to pay interest on the Bonds as interest becomes due. See “APPENDIX C – FORMS OF THE PRINCIPAL DOCUMENTS – INDENTURE OF TRUST” in this Limited Offering Memorandum.

Sources of Capital Contributions for Series 2023B Bonds

Simultaneously with the issuance of the Series 2023B Bonds, the Borrower expects to enter into an agreement with the Investor Limited Member [and the Special Limited Partner] admit them as partners of the Borrower with a 99.99% and .01% interest in the Borrower, respectively. Pursuant to the Operating Agreement, subject to the conditions therein, the Investor Limited Members shall make capital contributions to the Borrower as described above under “Scheduled Capital Contributions of the Borrower” above. See also “APPENDIX C – FORMS OF THE PRINCIPAL DOCUMENTS – AMENDED AND RESTATED OPERATING AGREEMENT”, as well as the information under the caption “PLAN OF FINANCING” in this Limited Offering Memorandum. The Investor Limited Members have agreed in the Operating Agreement to deposit the Pledged Capital Contributions directly to the Trustee on behalf of the Borrower.

No Debt Service Reserve Fund

The repayment of the Series 2023B Bonds is not secured by any debt service reserve account or debt service reserve fund. The Series 2023B Bonds are payable solely from and secured by the Security (including the Pledged Capital Contributions [and the Guarantees]).

ADDITIONAL SECURITY FOR THE SERIES 2023C BONDS

Sources of Payment for the Series 2023C Bonds

The Series 2023C Bonds will be secured by (a) amounts payable from an assignment of the Borrower's interest in the TIF Note in the estimated original aggregate principal amount of \$6,126,000 to be issued by the Fridley HRA, (b) on a subordinate basis to the Series 2023A Bonds, a pledge of Project cash flow after the payment of the Series 2023A/B Bonds, (c) a subordinate mortgage lien on and security interest in the Project pursuant to the Series 2023C Mortgage, and (d) a guaranty by the Guarantor of the payment of debt service on the Series 2023C Bonds. The TIF Note will be issued by the Fridley HRA under the provisions of a resolution of the City Council of the City adopted on February 13, 2023, the TIF Plan and the TIF Act (defined below).

Tax Increment Financing

Generally. Minnesota cities, their housing and redevelopment authorities, or port authorities may designate development and redevelopment districts and establish tax increment financing districts therein, prepare and adopt development or redevelopment programs and tax increment financing plans, undertake development or redevelopment activities therein, segregate and receive tax increment with respect to taxes collected in such tax increment financing districts, issue general obligation or revenue bonds (such as the TIF Note) to finance the costs of such activities and pledge to the repayment of the bonds (such as the Series 2023C Bonds) the tax increment and other revenues derived from the tax increment financing district.

The system of real property taxation in Minnesota is complex. Accordingly, the following description is not complete in all details and does not purport to present all matters related to the computation or collection of taxes or tax increment. The summary information under this heading "ADDITIONAL SECURITY FOR THE SERIES 2023C BONDS" is qualified by reference to the complete text of the applicable statutes, rules, and regulations of State law.

Tax increment financing is a method of financing the public costs associated with the development and redevelopment of project areas established within the jurisdictional boundaries of various governmental entities in the State. In order to eliminate blighted conditions or the economic underutilization of certain areas of a municipality, an authority may determine that it is necessary to undertake certain public activities to induce private development or redevelopment of such areas. Such activities include land acquisition, site improvements such as the demolition and clearance of acquired parcels, and the construction of public improvements such as streets, sidewalks, street lighting, parking lots, deck parking, parking ramps, and similar facilities. A portion of the taxes generated by the subsequently constructed private improvements in such project areas are specially allocated to pay the costs of the public activities under the theory that such additional taxes would not have been present were it not for the development or redevelopment activities undertaken by the authority in such project areas. The term "tax increment" under the TIF Act refers to the portion of property taxes generated within a tax increment financing district that is permitted by the TIF Act to be allocated to pay the costs of the public activities undertaken in a project area (including payment of the principal of and interest on bonds issued to pay such costs).

The TIF District and the Redevelopment Agreement. On February 13, 2023, the City Council of the City, upon recommendation of the Fridley HRA, approved (i) the creation of TIF District No. 26 (the "TIF District" or the "District") within Redevelopment Project No. 1 within the City, encompassing an area of approximately 3.6 acres located at 6257 University Avenue Northeast in the City (the Project site) in order to redevelop the existing Moon Plaza retail strip center located on previously improved land which had become blighted, and (ii) a tax increment financing plan (the "TIF Plan") for the TIF District pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "TIF Act").

In connection with the development of the Project, the Borrower and the Fridley HRA entered into the Redevelopment Agreement which sets forth certain requirements for the development of the Project and also provides that the Fridley HRA will issue and deliver the TIF Note in the estimated original aggregate principal amount of \$6,126,000 to the Borrower upon the Borrower proving to the Fridley HRA that the Borrower has satisfied certain conditions in the Redevelopment Agreement. The Borrower believes that it has approximately \$[] in tax increment eligible costs under the Redevelopment Agreement and expects that the Fridley HRA will issue the TIF Note in the maximum amount authorized under the Redevelopment Agreement (\$6,126,000). The Borrower anticipates that the TIF Note will be issued by the Fridley HRA shortly after the Project is placed in service and prior to [August 1, 2025]. Under the terms of the Redevelopment Agreement the term “Tax Increment” is defined to mean that portion of real estate taxes paid with respect to the Redevelopment Property (the Project) which is remitted to the Fridley HRA by the County as tax increment from the TIF District under the TIF Act. The term “Available Tax Increment” as used in the Redevelopment Agreement means 90% of the Tax Increment from the TIF District.

In the Redevelopment Agreement and the TIF Plan, for purposes of projecting the Available Tax Increment that is anticipated to be generated by the Project to pay the TIF Note, the Fridley HRA assumed an initial “Estimated Market Value” for the Project of at least \$33,892,821 as of January 2, 2025, for taxes payable beginning in calendar year 2026. The Estimated Market Value, together with other assumptions including property classification rates and local tax rates in the TIF Plan anticipate to generate sufficient Available Tax Increment sufficient to provide for a projected minimum Debt Service Coverage Ratio of 1.05x for the Series 2023C Bonds in calendar (taxes payable) year 2026. After calendar (taxes payable) year 2026, the tax increment analysis has assumed certain increases in property valuation annually such that the value of the Project is assumed to be higher than the initial Market Value in order to provide sufficient Available Tax Increment to pay debt service on the Series 2023C Bonds. See “APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS – [THE TIF DISTRICT – TAX INCREMENT CASH FLOW]” in this Limited Offering Memorandum for more information on the projections of Available Tax Increments.

The TIF Act authorizes the use of tax increment financing to pay certain capital and administration costs of a development district established pursuant to the TIF Act and the Fridley HRA does have an administrative fee that will be paid from the 10% of the Tax Increment that is not the 90% of Tax Increment that is Available Tax Increment.

Assignment of TIF Note. The payments to be received by the Borrower under the TIF Note will be assigned to the Trustee under the terms of the TIF Pledge and Assignment Agreement. Under the terms of the TIF Note and the Redevelopment Agreement, the TIF Note is payable solely from Available Tax Increment. The TIF Note has payment dates every six (6) months on each February 1 and August 1, anticipated to be commencing August 1, 2025 (each a “TIF Note Payment Date”), after the issuance of the TIF Note by the Fridley HRA to the Borrower. The Series 2023C Bonds will be secured by, and payable from, an assignment of the Borrower’s interest in the TIF Note. Principal of and accrued interest on the TIF Note are payable on each TIF Note Payment Date, but solely from Available Tax Increment (together with capitalized interest).

Guaranty. Payment of principal of and interest on the Series 2023C Bonds and performance by the Borrower of its obligations under the Loan Agreement are fully and unconditionally guaranteed by the Guarantor under the terms of a Subordinate Guaranty Agreement, dated as of June 1, 2023 (the “Series 2023C Guaranty”), by the Guarantor in favor the Trustee. The Series 2023C Guaranty is subject to release and termination as set forth in the Series 2023C Guaranty. See “THE GUARANTOR” and “SECURITY FOR THE SERIES 2023C BONDS” in this Official Statement.

2023C Mortgage (Subordinate). The Series 2023C Bonds will be secured pursuant to the Series 2023C Mortgage by the Borrower in favor of the Issuer and assigned by the Issuer to the Trustee, pursuant to which the Borrower will provide the Trustee with a subordinate mortgage lien on, an assignment of rents from, and a security interest in the Project, subject to Permitted Encumbrances. The mortgage liens granted to the Trustee under the Series 2023C Mortgage consists generally of the Borrower's fee title interest in the land upon which the Project is to be constructed. The mortgage lien on the Project granted to the Trustee under the terms of the Series 2023C Mortgage is junior and subordinate to the mortgage lien granted to the Trustee for the Series 2023A/B Bonds under the terms of the Series 2023A/B Mortgage.

Assignment of Loan Agreement; Bond Fund; Capitalized Interest

Under the terms of the Indenture, the Issuer has pledged its interest in the Loan Agreement (including Basic Payments by the Borrower, but excluding certain rights of the Issuer to payment of fees, expenses, and indemnification) to the Trustee to secure the Series 2023C Bonds. Under the Loan Agreement, the Borrower is required to make payments sufficient (on a subordinate basis to the payment of the Series 2023A/B Bonds), together with scheduled payments on the TIF Note and amounts of capitalized interest for payments prior to [June 1, 2026]*. To the extent such capitalized interest and scheduled payments on the TIF Note are insufficient, the Borrower is obligated to make payments from the cash flow of the Project after the payment of debt service on the Series 2023A/B Bonds. The Trustee is authorized to exercise the rights of the Issuer and enforce the obligations of the Borrower under the Loan Agreement including drawing upon the Series 2023C Guaranty.

[TO BE FURTHER REVISED] Under the Indenture, special trust funds are established with the Trustee including the Tax Increment Account of the Bond Fund" and the [Series 2023C Subaccount of the] Capitalized Interest Fund. On the date of issuance of the Bonds, there will be deposited to the [Series 2023C Subaccount of the] Capitalized Interest Fund, Series 2023C Bond proceeds in an amount to fund interest on the Series 2023C Bonds through [December 1, 2025]*. The Trustee will use amounts on deposit in the [Series 2023C Subaccount of the] Capitalized Interest Fund to pay the interest on the Series 2023C Bonds as it becomes due and payable through [December 1, 2025]*. In the event that amounts derived from the TIF Note are not sufficient to pay debt service on the Series 2023C Bonds, the Trustee will utilize revenues of the Project available after debt service on the Series 2023A/B Bonds to make such payments as required under the Loan Agreement.

Calculation of Tax Increment

In order to calculate the portion of the property taxes generated in a tax increment district that qualify as tax increment and are available to be allocated to payment of the public costs of the development or redevelopment of a project area, it is necessary to ascertain (1) the "estimated market value" of the taxable property in the tax increment financing district on the date the district is initially established and for each year thereafter while the district exists, (2) the "class rates" for each type of taxable property in the district, (3) the "tax capacity" of the taxable property in the tax increment financing district on the date the district was initially established and for each year thereafter while the district exists, and (4) the "local tax rates" for all taxing jurisdictions in which the taxable property in the district is located. The estimated market value (the "Market Value") of taxable property for ad valorem property tax purposes in Minnesota is established as of January 2 of the year of assessment. Through a statutory process consisting of a city appraisal with a mechanism for administrative appeals, a Market Value is assigned to each parcel of taxable property in the city or other taxing unit. At least one-fourth of all existing real estate in a taxing unit must be inspected and reappraised by the local assessor each year. The appraisal and review is completed by June 30 of each year and the Commissioner of Revenue of the State certifies final Market Values to the auditors of each county as of July 1. The tax capacity of taxable property (the "Tax Capacity") is determined by multiplying the Market Value for such property by percentage rates referred to as the class rates (the "Class Rates"). The Class Rates of taxable property differ depending on the use

and Market Values of such property. Minnesota law treats various types of taxable property differently for assessment purposes.

The captured tax capacity of a tax increment financing district (the “Captured Tax Capacity”) is the sum of the Tax Capacities of all taxable property in the district in excess of the original tax capacity (the “Original Tax Capacity”). The Original Tax Capacity of the taxable property in a tax increment financing district is the sum of the Tax Capacities of all taxable property in the district on the date of certification of the district for tax increment financing purposes (subject to certain adjustments required by the TIF Act). Changes in Captured Tax Capacity can result from many factors including changes in Class Rates, the construction of improvements in the tax increment financing district, or increases or decreases in the Market Values of existing property due to economic factors, inflation or deflation, administrative or judicial adjustments, casualties or wear and tear, or other factors.

The annual tax increment derived from a tax increment financing district such as the TIF District is determined by multiplying the Captured Tax Capacity of the district by the combined local tax rates (the “Local Tax Rates”) of all taxing jurisdictions in which the tax increment financing district is located. The taxing jurisdictions for the TIF District include the City of Fridley, Anoka County, the Friday School District and a number of special taxing entities (such as the Metropolitan Council, Metropolitan Transit Commission, Metropolitan Mosquito Control District, the Anoka County Housing and Redevelopment Authority, local watershed district and Anoka County Regional Rail Authority). The combined Local Tax Rate is determined by the county auditors. Each of the taxing jurisdictions submits its tax levy to the county auditor. The county auditor determines the Local Tax Rate for each taxing authority by determining the rate at which the Tax Capacity of the taxable property in such jurisdiction, excluding the Captured Tax Capacities of all tax increment financing districts, must be taxed in order to generate the money required by such taxing authority. The lesser of (i) the combined Local Tax Rate of all taxing authorities in which a tax increment financing district is located for the current year, or (ii) the original Local Tax Rate, which is the combined Local Tax Rates of all taxing authorities in which a tax increment financing district is located at the time of initial certification of the district, is then applied to the Tax Capacity of all taxable property, including the Captured Tax Capacities of all tax increment financing districts. The money generated by the application of the combined Local Tax Rate to the Captured Tax Capacity is the tax increment, which, if collected, is paid to the municipality or authority that established the tax increment district.

In addition to taxes based on Tax Capacity of property as described above, certain taxes required by statute to be approved by voters are levied against the “referendum market value” of property, and not against the Tax Capacity. Such taxes, although assessed against property within the TIF District, are not included in the calculation of Tax Increment Revenue.

Real Property Taxes Generally

Taxes on a parcel of real property in the State are determined by multiplying the combined “local tax rate” for all applicable taxing jurisdictions against the “tax capacity” of the property, with the tax capacity being determined by applying a statutorily prescribed “class rate” percentage (which varies by property classification) against an estimated market value for the property.

Assessor’s Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the “Estimated Market Value.”

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended, and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the table concluding this section. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State’s property tax relief system and are subject to annual revisions by the State Legislature.

Local Tax Rates. The local tax rate is established by each county auditor, the Director of Property Taxation in the County. On or before five (5) working days after December 20 of each year, taxing jurisdictions are required to certify to the applicable county auditor the required taxes for the following year, which certification follows a public hearing and adoption of a final budget for the next year. Such certified tax levy is then adjusted by certain state aids. The amount of taxes for a taxing jurisdiction, as certified and adjusted, is divided by the tax capacity of all taxable property within the jurisdiction, producing, after a reduction for “disparity reduction aid”, the local tax rate for the jurisdiction. The Minnesota Legislature has made amendments to the property tax system, including the assumption by the State of the general education property tax levy and transit costs and the compression of class rates. These amendments have had the immediate effect of substantially reducing the local tax rates. Taxes are thus levied in the year of computation to become payable and collected in the following year. Taxes are levied in the year of computation to become payable and collected in the following year.

Property taxes due in each year are payable to the applicable county and generally become due in two equal installments on May 15 and October 15 of each year, respectively. The County Director of Property Taxation collects the taxes in the County and is required to distribute the taxes to the applicable taxing jurisdictions in early July and early December of each year. A final settlement payment is also due in January (for late payments and adjustments).

Each county has the responsibility to collect the delinquent taxes, which constitute first and perpetual liens on the applicable property (except that if the property is owned by a governmental unit, e.g. the Issuer, and leased to a private entity, the delinquent taxes only give rise to personal liability of the tenant). As soon as taxes become delinquent, penalties are assessed in varying percentage amounts depending upon the type of property and the duration of the delinquency. In the ensuing year a tax lien judgment is filed for taxes still delinquent. After three years, the property is declared tax forfeited with title held in trust until sold by the county where the property is located.

Class Rates. The taxable property within the TIF District is classified as Market Rate Apartments (for the multi-family rental property not subject to income restrictions) even though the Project could likely qualify for the low income 4(d) program. The statutory Class Rates for these properties types, and certain other types, for calendar (taxes payable) year 2023 is set forth in the table below.

**Statutory Formulae: Conversion of Taxable Market Value (TMV) to
Net Tax Capacity for Major Property Classifications**

<u>Property Type</u>	<u>Local Tax Payable 2023</u>
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$100,000 ^(c)	0.75%
Over \$100,000 ^(c)	0.25%

Statutory Tax Lien

In the event that generally applicable property taxes are not paid in full in the amounts and at the times such property taxes are due and payable, then the County, as the jurisdiction responsible for the collection of such delinquent taxes, shall have a first and perpetual lien on the applicable property. For all taxable property including property located in the TIF District, the property tax payer generally has three (3) years to redeem such property by the payment of all unpaid taxes plus penalties and interest. If such property taxes are not paid, the property is declared tax forfeited with title held in trust by the County until sold. Upon any such tax forfeiture sale, any sale proceeds, after the payment of fees and expenses, shall be remitted to the various taxing jurisdictions in the County. *However, to the extent that any parcel in the TIF District would be subject to a tax forfeiture sale, a portion of the sale proceeds would constitute Tax Increment Revenue, and such amount would not be payable to the Issuer to provide additional security for the Series 2023C Bonds. Interest paid on delinquent taxes does not constitute Tax Increment Revenue and is not pledged or available to debt service on the TIF Note and, consequently, the Series 2023C Bonds.*

Tax Increment Projections

The estimated Available Tax Increment is based on the assumption that the actual assessed market values and the actual tax capacities based on assumptions that (i) class rates in effect for taxes payable 2025 will remain constant for the remainder of the TIF District, (ii) the class rate used for the Project will continue to be the 4(a) tax rate and the Borrower will not enroll the Project in the 4(d) class rate property tax program to provide a lower class rate for the Project, (iii) that the local tax rate will be the original local tax rate of 123.783%, (iv) collections of property taxes associated with the Project will be 100% of taxes levied, and (v) that the Estimated Market Value of the Project will be at least \$33,892,821 and increase over time. The Tax Increment Analysis assumes certain assumptions with respect to increases in property valuation for the Project and other aspects of calculating the amount of Available Tax Increment as shown in APPENDIX B. Estimates of the annual Available Tax Increment (the “Tax Increment Analysis”) to be generated from the TIF District and projected debt service coverage are shown in the tax increment chart including in this Limited Offering Memorandum in “APPENDIX A – THE PROJECT AND PRIVATE PARTICIPANTS.”

The Projected Bond Cash Flow Schedule shows the projection of Available Tax Increment from 2025 through 2041 based on such assumptions described above and shown in APPENDIX A. Debt service on the Series 2023C Bonds is anticipated to be level until the maturity date of the Series 2023C Bonds, which is a balloon maturity. The column titled “Annual Remaining Increment” is the annual amount of Available Tax Increment that is projected to be available to pay the Series 2023C Bonds. The resultant debt coverage ratio is a projection based on the foregoing assumptions and estimates, which the Borrower believes to be reasonable. Actual results will undoubtedly differ, and may differ materially, from the projections. The Tax Increment Analysis is a forward-looking statement.

The 2023C Guaranty

Under the terms of the 2023C Guaranty, the Guarantor has guaranteed the payment of debt service on the Series 2023C Bonds. The 2023C Guaranty is not subject to termination or release. In the event that the revenues of the Borrower derived from the assignment of the TIF Note and the subordinate pledge of Project revenues are not sufficient for the payment of debt service on the Series 2023C Bonds and provide 1.05x debt service coverage on the Series 2023C Bonds, then the Trustee will look to the Guarantor under the 2023C Guaranty for repayment of the Series 2023C Bonds.

The 2023C Mortgage (Subordinate)

The Series 2023C Bonds will be secured by the 2023C Mortgage which provides the Trustee a subordinate mortgage lien on, an assignment of leases and rents from, and a security interest in the Project, subject to Permitted Encumbrances which include the rights of the Trustee for the holders of the Series 2023A/B Bonds under the 2023A/B Mortgage. The subordinate mortgage lien of the 2023C Mortgage on the Project consists generally of the Borrower's fee simple interest in the land upon which the Project is to be constructed. See "APPENDIX D – CERTAIN DEFINITIONS AND SUMMARY OF DOCUMENTS – THE SUBORDINATE MORTGAGE" in this Official Statement.

No Assurance of Tax Increment

The amount of Tax Increment (and consequently Available Tax Increment to pay the TIF Note pledged under the TIF Pledge and Assignment Agreement to the Trustee) actually available for payment of principal of or interest on the Series 2023C Bonds is dependent upon a number of factors, many of which are beyond the control of the Issuer, the Borrower and the Fridley HRA. As noted in this Limited Offering Memorandum, Tax Increment arises from application of the combined local tax rate (current local tax rate or original local tax rate, whichever is lower) for all taxing jurisdictions in which the TIF District are located, to the captured tax capacity. For example, the local tax rate could be reduced materially from the historic and projected local tax rate levels due to changes in the tax levy by the relevant taxing jurisdictions. In the event that the applicable current local tax rate for a TIF District is higher than the original local tax rate for that TIF District, then the "excess" or difference that comes about after applying the lower original local tax rate instead of the current local tax rate for that TIF District is considered "excess" tax increment and is distributed by the County to the other taxing jurisdictions (and not the Issuer) and such amount is not available to the Fridley HRA as Tax Increment.

Limitations on Tax Increment

There are many factors that can influence the Tax Increment generated by a tax increment district such as the TIF District. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS — Risks Associated with Collection of Tax Increment" for a discussion of such factors.

Historical Limitations on Tax Levies

From time to time, the City has been subject to levy limits imposed by Minnesota statutes. Levy limits were in effect for property taxes payable in 1998 through 2000 and were re-imposed for taxes payable in 2002 and 2003 and also as described in this paragraph. Levy limits in the past have allowed the City to adjust annual levies by a factor for household growth, inflation, tax base growth, and special levies as defined by statute. In 2008, the Minnesota Legislature enacted provisions to establish levy limitations for taxes levied for collection in 2009, 2010, and 2011, but no limits are in place for taxes collected in 2012 or thereafter. Under the levy limits in effect for the 2009 through 2011 collection years, levy increases for cities over 2,500 population, and for counties, were limited to the levy aid base or limit base for each jurisdiction in the prior year, plus the lesser of 3.9 percent or the percentage growth in the implicit price deflator, plus an adjustment for population increase, plus increase in taxable market value due to new construction of certain Class 3 (commercial/industrial) property.

Legislation is periodically introduced in the Minnesota Legislature that would impose levy limits for taxes collected in future years. Previously, levy limits have been in place in certain years. It is possible that bills will be introduced in future sessions that would implement levy limits, but such proposals cannot be known at this time.

Metropolitan Fiscal Disparities Act

In the seven county Minneapolis/Saint Paul metropolitan area, taxing jurisdictions' levies and resulting tax rates are affected by the Fiscal Disparities Act. Because the Project is a multifamily housing development, the Fridley HRA does not have to pool any of the Tax Increment under the Fiscal Disparities Act. *No tax base within the TIF District is required to be pooled under Minnesota law.*

RISK FACTORS AND INVESTMENT CONSIDERATIONS

AN INVESTMENT IN THE BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CAREFULLY CONSIDER ALL POSSIBLE FACTORS WHICH MAY AFFECT THEIR INVESTMENT IN THE BONDS. IN ADDITION TO THE OTHER INFORMATION SET FORTH HEREIN, THE FOLLOWING LIST, WHILE NOT SETTING FORTH ALL THE FACTORS, CONTAINS SOME OF THE FACTORS THAT SHOULD BE CONSIDERED PRIOR TO PURCHASING THE BONDS.

In order to identify risk factors and make an informed investment decision, prospective investors should be thoroughly familiar with this entire Limited Offering Memorandum (including the Appendices hereto, the documents describing the transactions, the third party reports with respect to the Project and the documents relating to the formation and organization of the Borrower and its partners) and review the actual documents attached hereto to make a judgment as to whether the Bonds are an appropriate investment for the investor. Moreover, the order of presentation of the risk factors does not necessarily reflect the order of their importance.

Special Limited Obligations of Issuer

THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. NONE OF THE STATE, NOR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC, OR AGENCY, OF THE STATE OR THE ISSUER (EXCEPT TO THE LIMITED EXTENT PROVIDED IN THE INDENTURE FROM THE TRUST ESTATE) SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NEITHER THE BONDS NOR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE STATE, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE OR THE ISSUER (EXCEPT TO THE LIMITED EXTENT PROVIDED IN THE INDENTURE), WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO TAXING POWER.

Limited Resources of Borrower; Security for Repayment

The Borrower is a newly formed entity whose only asset is its interest in the Project. As a result, the Borrower's sole source of funds with which to pay its obligations under the Loan Agreement and Notes is the revenue generated by the operation of the Project. There can be no assurance that such amounts will be sufficient to repay the Borrower's obligations with respect to the Bonds. No other revenues or assets of the Borrower or the Managing Member will be available for the payment of, or as security for, the Bonds.

The security for the Bonds (subject to Permitted Encumbrances) will consist entirely of (a) all moneys from time to time paid by the Borrower pursuant to the terms of the Loan Agreement, the Notes and the Bond Documents and all right, title and interest of the Issuer under and pursuant to and subject to

the provisions of the Loan Agreement, the Bond Documents and the Notes (but in each instance excluding the Reserved Rights, as defined in the Indenture); (b) all other moneys and securities from time to time held by the Trustee under the terms of the Indenture, excluding the Remarketing Proceeds Account, the Rebate Fund and excluding amounts required to be rebated to the United States Treasury under Section 148(f) of the Code; (c) any and all property, rights and interests pledged, assigned or as additional security to the Trustee; and (d) all of the proceeds of the foregoing (except the amounts payable to or on behalf of the Issuer on account of its Reserved Rights), including without limitation investments thereof. Prospects for uninterrupted payment of principal and interest on the Bonds in accordance with their terms are dependent upon the success of the Borrower in constructing and operating the Project to generate adequate cash flow to meet its obligations under the Loan Agreement and the Notes.

The Borrower and Related Parties; Conflicts of Interest

The Borrower was organized for the sole purpose of acquiring, constructing and operating the Project. The Borrower has no assets other than the Project owned by it and the rights and revenues incident thereto and no intention to acquire other assets. The ability of the Borrower to pay and perform its obligations under the Loan Agreement and the Notes will depend primarily upon the ability of the Project to generate sufficient revenues.

Under the terms of the Loan Agreement and applicable law relating to limited partnerships, neither the Managing Member nor the Tax Credit Investor is liable for the debts or losses of the Borrower, nor is either obligated to contribute any funds to or on behalf of the Borrower, irrespective of whether the revenues of the Project are sufficient to pay operating expenses and debt service requirements with respect to the Bonds.

The Managing Member has engaged in, and may continue to engage in, business for its own accounts, independently or with others, and whether or not in the vicinity of or in competition with any Project. As a result of its other interests and activities, the Managing Member may have conflicts of interest with its role in the Project, including conflicts in allocating its time and resources between the Project and other activities in which it is involved.

Mandatory Tender

The Series 2023B Bonds are subject to Mandatory Tender on the Mandatory Tender Date (June 1, 2026*), and on such date, the Bondholders are required to tender and the Borrower (or, if the Borrower's funds are not sufficient, the Guarantor) is required to purchase, all of the Series 2023B Bonds, at a purchase price equal to par plus accrued interest, if any. Interest on the Series 2023B Bonds through the Mandatory Tender Date has been capitalized. If the Series 2023B Bonds are still Outstanding on the Mandatory Tender Date, then Colliers Securities LLC, as remarketing agent, will remarket the Series 2023B Bonds in accordance with the terms of the Remarketing Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in this Limited Offering Memorandum.

Pledge of Tax Increments and Concentrated Nature of the TIF District

TIF District. The TIF District consists of approximately 3.6 acres and is the site of the Project. The Available Tax Increment pledged to the payment of the TIF Note and consequently the Series 2023C Bonds are derived solely from Tax Increment generated from the TIF District. In addition, there is no pledge of Tax Increment that may be derived from any other tax increment financing districts of the Fridley HRA or the Issuer.

Factors Not Subject to Control by the Issuer. The amount of Tax Increment (and consequently Available Tax Increment) to be received by the Fridley HRA in each year to pay the TIF Note (and

consequently the Series 2023C Bonds) is dependent, among others, on the following factors: (i) the extent to which the Project is subject to real property taxes under applicable State law; (ii) the Estimated Market Value of the Project; (iii) the Class Rate applied to the property in the TIF District (the Project) and the resulting current tax capacity of the Project (the “Current Tax Capacity”) and the extent to which the Current Tax Capacity of the Project exceeds the original tax capacity of the TIF District (the “Captured Tax Capacity”); (iv) the aggregate rate of property tax levies imposed by the applicable taxing jurisdictions, excluding the statewide general property tax levy (the local tax rate), to be applied to the Captured Tax Capacity; (v) the extent to which property taxes are paid in a timely manner by the affected taxpayers; and (vi) changes in law which affect any of the foregoing factors. Several factors that could materially and adversely affect the amount of Tax Increment to be derived from the TIF District are not subject to the control of the Issuer, the Borrower or the Fridley HRA, are described below.

Changes in Law. The laws of the State relating to real property taxation may be changed through legislative enactment, judicial interpretation, or administrative ruling. Moreover, in the past, the Minnesota Legislature has made regular changes and amendments to the real property taxation system in Minnesota. Such legislative changes may reduce the maximum amount of property tax levies that may be imposed by various taxing jurisdictions, substitute alternative revenue sources for property taxes as a method of financing government services, expand the types of property that are exempt from property taxes, adversely affect market value, limit the taxable value of property, shift the burden of paying property taxes between various types of property, or modify remedies for collecting taxes. Any one or more of these changes in the property tax laws of the State may result in a significant or material reduction in Tax Increments. No assurance can be given that changes to State property tax law will not occur and be applicable to the Fridley HRA, the Issuer, or the TIF District.

No Minimum Assessment Agreement. There is not and will not be a written assessment agreement with the Borrower relating to the Project and the county assessor to establish a minimum Estimated Market Value for the Project. Without a minimum assessment agreements, the Borrower or any subsequent owner of the Project may seek an administrative or judicial appeal of the Estimated Market Value established for the Project. A successful administrative or judicial appeal of the Estimated Market Value established for the Project could have an adverse effect on the amount of Tax Increment and Available Tax Increment.

Reduction in Local Tax Rates. The taxing jurisdictions which contribute to the local tax rate include the City, the County, and several other taxing jurisdictions. The original local tax rate in the TIF District (sometimes referred to as the “frozen tax rate”) is 123.783%. The local tax rate will likely fluctuate over the life of the TIF District. Tax Increment will be generated based on the lesser of the current local tax rate or the original local tax rate, such that while the current local tax rate exceeds the original local tax rate for the TIF District, the original local tax rate will apply in calculating the amount of Tax Increment that is available to pay debt service on the TIF Note and consequently the Series 2023C Bonds. The [Tax Increment Cash Flow] set forth in Appendix A assumes that the local tax rate in the TIF District will be constant at 123.783%. No assurance can be given that the amount of Tax Increment received in any year in the future will not fall below the amount projected in the Tax Increment Analysis. See “APPENDIX A – THE PRIVATE PARTICIPANTS AND THE PROJECT – [THE TIF DISTRICT – Tax Increment Cash Flow] in this Limited Offering Memorandum.

Delinquent Tax Increment Collections and Other Collection Shortfalls. The failure to pay real property taxes when due gives rise to delinquent taxes. Such delinquencies commonly occur when the Estimated Market Value for a property experience material declines. Such declines normally trigger administrative and judicial tax appeals but can result in the payment of no taxes when due and ultimately the sale of tax forfeited land. Because there is no minimum assessment agreement with the Borrower for the Project, no assurance can be given that the Borrower will not contest the Estimated Market Value of the Project in the future.

Risk of Destruction

The availability of Tax Increment is dependent upon the payment of property taxes related to the Project. In the event that the Project is destroyed and must be rebuilt, the property value would be substantially diminished, resulting in reduced taxes and a potentially substantial reduction or elimination of the tax increment. In such an event, because the Series 2023C Bonds are payable primarily from the Available Tax Increment derived from the Project, payments on the Series 2023C Bonds would also be dependent on the subordinate pledge of Project revenues, which would also likely be adversely affected.

The Loan Agreement and the Operating Agreement require the Borrower to maintain certain insurance coverages against loss or damage with respect to their respective improvements that comprise the Project in customary amounts. Although the Loan Agreement and the Operating Agreement require the Borrower to maintain such insurance coverage, no assurance can be given that the Borrower will not violate the provisions of the Contract with respect to insurance coverage or that such insurance coverage will be adequate to pay for the repair or reconstruction of the Project if damaged.

Risks Related to TIF Note and Assignment of TIF Note

The TIF Note is payable solely from Available Tax Increment. Pursuant to the TIF Pledge and Assignment Agreement, all payments of Available Tax Increment to pay the principal of and interest on the TIF Note shall be assigned to and directly paid to the Trustee to be applied to the payment of the Series 2023C Bonds on each payment date for the Series 2023C Bonds. All payments to be made by the Fridley HRA on the TIF Note will be applied first to accrued interest and then to the principal amount of the TIF Note. The TIF Note is anticipated to begin accruing interest on or about the date of issuance of the TIF Note (which is anticipated to be prior to August 1, 2025) and the first payment of interest on the TIF Note is anticipated to be on August 1, 2025.

Upon the occurrence of an event of default under the Redevelopment Agreement, the Fridley HRA may terminate the Redevelopment Agreement or suspend payment of amounts due with respect to the TIF Note until the event of default has been cured. The Borrower's obligations under the Redevelopment Agreement include completion of construction of the Project by December 1, 2025, construction of certain public improvements on and/or benefitting the Project site (including, but not limited to, environmental remediation, site clearance and relocation costs, trails and pedestrian improvements including sidewalks, landscaping and screening, retaining walls and fences, private streets and storm sewer and storm water system elements) and maintenance of insurance. If the construction of either the Project or the project undertaken by the Borrower is not completed by December 1, 2025, the Fridley HRA may declare an event of default under the Redevelopment Agreement.

Termination or Suspension of TIF Note

Under the terms of the Redevelopment Agreement, after the Fridley HRA has issued a certificate of completion for the Project, the Fridley HRA may exercise rights to suspend, cancel, or terminate payments under the TIF Note only for the following events of default:

- (a) Failure by the Borrower to timely pay all ad valorem real property taxes assessed with respect to the Project.
- (b) Failure by the Borrower to complete the Project pursuant to the terms, conditions and limitations of the Redevelopment Agreement.
- (c) Failure by the Borrower to submit to the Fridley HRA the documents for the construction of the Project under the Redevelopment Agreement.

(d) Failure by the Borrower to substantially observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under the Redevelopment Agreement.

(e) If, before the issuance of certificate of completion for the Project, the Borrower shall:

(i) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 2078, as amended or under any similar federal or state law; or

(ii) make an assignment for the benefit of its creditors; or

(iii) admit in writing its inability to pay its debts generally as they become due; or

be adjudicated as bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Borrower, as bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof; or a receiver, trustee or liquidator of the Borrower, or of the Project, or part thereof, shall be appointed in any proceeding brought against the Borrower, and shall not be discharged within ninety (90) days after such appointment, or if the Borrower shall consent to or acquiesce in such appointment.

As-Built Appraisal of Project

_____ (the “Appraiser”) completed an appraisal of the Project (on an as-built basis) in connection with the issuance of the Bonds. The Appraiser’s report, dated _____, 2023 (the “Appraisal”), determined that based on the valuation analysis the following market value for the Project on a fee simple basis was:

Appraisal Premise	Date of Value	Market Value Conclusion
As Stabilized, Encumbered		
As Stabilized, Unencumbered		
As Complete, Encumbered		
As Complete, Unencumbered		
As Is, Land Value		
LIHTC Valuation		

Notes: “As Stabilized, Encumbered” is predicated on the condition that the proposed improvements will be completed in a good and workmanlike manner.

“As Stabilized, Unencumbered” is predicated on the condition that the property is not controlled by any income, rent restrictions due to a HAP contract, LIHTC, LURA or other restricting documents that would not allow rents to move with the market.

“As Complete, Encumbered” deducts the cost of lease-up from the “As Stabilized, Encumbered” Market Value Conclusion.

“As Complete, Unencumbered” deducts the cost of lease-up from the “As Stabilized, Unencumbered” Market Value Conclusion.

“LIHTC Valuation” is based on the value of the proposed low-income housing tax credits for the property.

See “APPENDIX A – THE PRIVATE PARTICIPANTS AND THE PROJECT – THE PROJECT – Third Party Reports – Appraisal” in this Limited Offering Memorandum.

Conditions to Pledged Capital Contributions; Managing Member/Borrower Default; Downward Adjustment Possibility for the Series 2023B Bonds

The Operating Agreement sets forth certain conditions to the making of the Pledged Capital Contributions as described above under “ADDITIONAL SECURITY FOR THE SERIES 2023B BONDS – The Pledged Capital Contributions.” In the event that any of the Pledged Capital Contributions are not made for any reason, or adjusted downward as allowable under the Operating Agreement, there may not be sufficient money to pay the principal and interest on the Series 2023B Bonds upon redemption, mandatory tender or maturity.

Under the Operating Agreement, in addition to the specific conditions to the funding of each capital contribution, each capital contribution will be subject to, among other things, compliance with additional conditions as of the date of funding of the capital contribution, as set forth in the Operating Agreement, and the absence of an Event of Default that has occurred and is then continuing under the Operating Agreement. See “ADDITIONAL SECURITY FOR THE SERIES 2023B BONDS – The Pledged Capital Contributions” and “APPENDIX C – FORMS OF THE PRINCIPAL DOCUMENTS – AMENDED AND RESTATED OPERATING AGREEMENT” in this Limited Offering Memorandum.

Competition and Reliance on Market Study

[TO BE UPDATED] The ultimate success of the Project and the ability of the Borrower to meet all of its obligations with respect to the Project depends on the existence of adequate demand for units in the Project. The Borrower commissioned a “Market Study of 6257 University Avenue, dated November 10, 2022 (the “Market Study”), prepared by Novogradac Consulting LLP (“Novogradac”) with respect to the Project and its market area. The conclusions of the Market Study are solely the opinions of Novogradac and there are no guarantees that actual demand exists or will continue to exist which support the assumptions in the Market Study. The Borrower is not aware of any material changes to the information included in the Market Study. The Borrower faces competition from other existing affordable multifamily senior housing facilities of a similar nature to the Project and may face additional competition in the future if affordable multifamily senior housing facilities are constructed in the market area of the Project that are of a similar nature to the Project. The Market Study has identified [] competitive affordable multifamily housing facilities, not including facilities outside the primary market area. Actual occupancy of the Project in the future may vary from conclusions in the Market Study, which variance may be material and adverse. If, among other things, actual occupancy of the Project is materially lower or rental rates for the Project are materially less than assumed by the Borrower, actual revenues for the Project will be less than projected, and perhaps materially less. Any shortfall in such revenues could adversely affect the ability of the Borrower to provide for payment in full of the Bonds.

The Market Study contains certain assumptions and conditions as stated in this Limited Offering Memorandum. Information regarding the competitive affordable multifamily senior housing facilities and the Market Study is located in “APPENDIX B – MARKET STUDY” in this Limited Offering Memorandum.

No Recourse to Borrower or its Partners

The obligations and liabilities of the Borrower under the Loan Agreement are of a nonrecourse nature and are limited to the Project and moneys derived from the operation of the Project. Neither the Borrower, the Managing Member, the Governing Members nor the Investor Limited Member (as defined herein) have any personal liability for payments on the Loan Agreement. Furthermore, the Borrower is a newly formed entity, and therefore no representation can be made that the Borrower has substantial funds available for the Project. Accordingly, the financial statements of the Borrower are not included in this Limited Offering Memorandum.

Income and Rent Restrictions

For information with respect to Income and Rent Restrictions, see “*Rental Housing Requirements*” below in this Limited Offering Memorandum.

Future Project Revenues and Expenses

As noted herein, and except to the extent payable from investment income or, under certain circumstances, proceeds of casualty insurance or condemnation awards, principal of and premium, if any, and interest on the Bonds is payable solely from revenues generated by the Project, which include payments from tenants and from the security provided by or pursuant to the Indenture, the Loan Agreement and the Mortgages, as applicable. No representation or assurance is given or can be made that revenues of the Project, as presently estimated or otherwise, will be realized by the Borrower, the Trustee, or by any other person in amounts sufficient, together with such other moneys available under the Indenture and pledged to the Bonds, to pay debt service on the Bonds when due and to make other payments necessary to meet the obligations of the Borrower. Future revenues and expenses of the Project are subject to conditions which may change.

The realization of revenues from the Project by the Borrower generally is subject to, among other factors, federal and state policies affecting rental housing and the housing market generally, demand for multifamily rental housing, the capability of management of the Project, the nature and condition of the housing stock in the neighborhood in which the Project are located, future economic conditions and other conditions which are impossible to predict. Such conditions may include an inability of management at the Project to control expenses during periods of inflation, changes in government involvement in and regulation of rental housing, changes in local real estate taxes and zoning restrictions, the ability to secure property tax abatement, and competition from other sources of assisted or market-rate multifamily housing.

The payment of debt service on the Bonds is, among other things, dependent upon the Borrower’s ability to maintain occupancy of the Project and charge and collect rents which are sufficient to pay operating expenses of the Project, debt service requirements with respect to the Bonds and to fund necessary reserves as required under the Indenture. Occupancy levels (which also affect revenues from the Project) will depend principally upon the desirability of the Project as rental housing, taking into account factors such as its unit mix and rental rates, location, physical condition and amenities. See “THE PROJECT” and the subheadings thereunder herein for a description of the Project. Occupancy levels may also be affected by a variety of future events, including but not limited to failure of the Project to attract such tenants because of competition from other rental housing, changes in zoning restrictions, or development activities near the Project.

Risks of Real Estate Investment

General. Development, ownership and operation of real estate, such as the Project, involves certain risks, including the risk of adverse changes in general economic and local conditions, the possible future oversupply and lagging demand for housing; adverse use of adjacent or neighboring real estate; community acceptance of the Project; changes in the cost of operation of the Project; difficulties or restrictions in the Borrower’s ability to raise rents charged; adverse weather and delays in construction; population decreases; uninsured losses; failure of residents to pay rent; operating deficits and mortgage foreclosure; lack of attractiveness of the property to residents; adverse changes in neighborhood values; and adverse changes in zoning laws, federal and local rent controls, other laws and regulations and real property tax rates. Such losses also include the possibility of fire or other casualty or condemnation. If the Project were uninhabitable during restoration after damage or destruction, the residence units or common areas affected would not be available during the period of restoration, which could adversely affect the ability of the Project to generate sufficient revenues to pay debt service on the Bonds. Changes in general or local

economic conditions and changes in interest rates and the availability of mortgage funding may render the sale or refinancing of the Project difficult or unattractive. These conditions may have an adverse effect on the demand for the Project as well as the market price received for the Project in the event of a sale or foreclosure of the Project. Many other factors may adversely affect the operation of facilities like the Project and cannot be determined at this time.

Construction Risk; Failure to Complete. There can be no assurances that the Project will be completed on schedule. Projects that include construction are subject to cost overruns and scheduling delays that may develop due to unforeseen circumstances. Although certain professionals will be retained by the Borrower and/or the Tax Credit Investor to assist with the construction of the Project, there can be no assurances that such construction or management by the Borrower will be successful. If the Project fails to achieve completion or certain benchmarks related thereto, the Tax Credit Investor may have remedies under the Operating Agreement that could affect the Borrower's ability to complete the Project as anticipated.

Risks of Construction Cost Overruns. The Borrower believes that the proceeds of the Bonds plus the tax credit equity from the Tax Credit Investor will be sufficient to complete the Project; however, the cost of construction of the Project may be affected by factors beyond the control of the Borrower, including strikes, material shortages, adverse weather conditions, subcontractor defaults, delays and unknown contingencies.

The construction contract between the Borrower and the Contractor will obligate the Contractor to complete the Project within a specified time for a lump sum price. The cost of the Project may be increased, however, if there are change orders. The construction contract requires the Contractor to furnish performance and payment bonds, however, there can be no assurance that the obligations of the surety under such bonds can be enforced without costly and time-consuming litigation.

If cost overruns resulting from delays, change orders or other causes are experienced, the Borrower is obligated under the Loan Agreement to complete the Project at its own expense.

In the event the Project is not completed, the only meaningful security for the owners of the Bonds would be any rights under the Guaranty of Completion, and with respect to the Series 2023A/B Bonds, the right to foreclose under the Series 2023A/B Mortgage on the Trustee's interest in the uncompleted Project and with respect to the Series 2023C Bonds, the subordinate right to foreclose under the Series 2023C Mortgage on the Trustee's interest in the uncompleted Project.

Risks of Competition, the Rental Market and Occupancy and Rental Rates. The Project may compete with other current and future multifamily housing developments in their market areas, some of which may offer lower rentals. It is difficult to assess the current and future demand for units of the Project or future rental rates. Therefore, there can be no assurance that the Project will achieve the occupancy levels or the rental rates necessary to cover debt service requirements.

Failure to Maintain Occupancy. The economic feasibility of the Project and its ability to provide revenues to the Borrower sufficient to make payments on the Notes depend in large part upon the Project being substantially occupied. Occupancy of the Project may be affected by competition from existing competing facilities or from competing facilities which may be constructed in the area served by the Project, including facilities which the Managing Member, or its affiliates, may acquire or construct. None of the participants in the Project have agreed to a covenant not to compete with any of the Project. Circumstances may occur, including but not limited to, insufficient demand for low income multifamily housing in the Project location, decreases in the population, deterioration of the structure and living facilities of the Project, and construction of competing projects for low income individuals or other more attractive living accommodations, which could increase the rate of vacancy. Further, the sustained failure of tenants to meet

their rental payment obligations would make it difficult for the Project to meet its current operating expenses which could result in a curtailment of essential services and decrease the desirability of the Project to existing or prospective tenants.

Damage, Destruction or Condemnation. Although the Borrower will be required to obtain and maintain certain insurance against damage or destruction as set forth in the Loan Agreement and the Mortgages, 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.

If the Project or any portion of the Project is damaged or destroyed, or is taken in a condemnation proceeding, funds derived from proceeds of insurance or any such condemnation award for the Project must be applied as provided in the Loan Agreement to restore or rebuild such Project or to redeem the Bonds (in whole or in part, as applicable). See “THE BONDS – Mandatory Redemption of Bonds” in this Limited Offering Memorandum. There can be no assurance that the amount of funds available to restore or rebuild the Project or to so redeem the Bonds will be sufficient for that purpose, or that any remaining portion of the Project will generate revenues sufficient to pay the expenses of the Project and the debt service on the Bonds remaining outstanding.

Marketing and Management

The manager for the Project will be Roers Residential LLC (the “Manager”). The successful operation of the Project is heavily dependent upon the efforts of the Manager. The Borrower has contracted with the Manager for marketing and day-to-day management and operation of the Project. If the Borrower was to terminate its relationship with the Manager, the Borrower would need to hire and train a management team for the Project or contract for similar services at equivalent rates with other companies. There can be no assurance that such a replacement manager could be employed. For more information see “[PRIVATE PARTICIPANTS – The Property Manager]” in this Limited Offering Memorandum.

Effect of Increases in Operating Expenses

It is impossible to predict future increases in operating expenses. An extended period of inflation may cause the rate of increases in Expenses to rise more rapidly than the Borrower’s ability to raise rents. Conversely, an extended period of deflation may cause the Project rents to decrease more rapidly than any decrease in the Project Expenses. In addition, any underestimation by the Borrower of the current Expenses of the Project may materially adversely affect sufficiency of the operating income of the Project.

Property reserves are an important consideration for replacing such items as kitchen appliances, heating and air conditioning systems, roofs and other major capital items to maintain the quality of the Project over time. The adequacy of the Project reserve funds will depend in part on the quality of workmanship performed during construction and the longevity of mechanical equipment that was installed in the units. The deterioration and replacement of capital items is not predictable with certainty, and real estate properties such as the Project may encounter a periodic need for capital for replacement or repair of capital items in excess of property reserves on hand.

In the event that additional capital is needed for the replacement of capital items, since the Borrower has no other source of income other than the Project, it is likely that the Borrower will either have to seek additional debt financing from third-party lenders or pay for such capital replacement or improvement out of residual cash flow from the Project. The Issuer has no obligation with respect to any operating, reserve or capital expenses of the Project and no obligation to issue additional bonds with respect to the Project.

To the extent there are any expenditures required to maintain the Project that are not foreseen by the Borrower, any uninsured losses are experienced, the only source of money to pay such expenses would be additional resources, if any, available to the Borrower. The Borrower may be unable or unwilling to pay for such additional expenditures.

Substantial increases in Expenses would affect future net operating income of the Project and the ability of the Project to generate rental revenue in amounts sufficient to satisfy the Borrower's obligations under the Loan Agreement and the Notes. Any failure by the Borrower to satisfy its payment obligations under the Loan Agreement and the Notes will have an adverse impact on the ability of the Trustee to pay, from the Security, debt service payments on the Bonds.

Project Risks

Adequacy of the Project as Security. The security for the Bonds includes a lien on the Project, evidenced by the Series 2023A/B Mortgage for the Series 2023A/B Bonds and the Series 2023C Mortgage for the Series 2023C Bonds, each granted in favor of the Trustee. If the Borrower fails to make sufficient and timely payments required under the Loan Agreement, it may be necessary for the Issuer and the Trustee to exercise their remedies under the Series 2023A/B Mortgage, Series 2023C Mortgage or the Indenture, including foreclosure.

There can be no assurance that if and when the Trustee forecloses and obtains possession of the Project or realizes amounts from the sales thereof, that resulting proceeds or project revenues (if the Project is retained and operated by the Trustee), would be sufficient to pay debt service on the Bonds in full when due and operating expenses of the Project. The Trustee is not in the business of operating facilities such as the Project and any amounts which might be realized from operation of the Project are uncertain. Further, attempts to foreclose under the Mortgages or to obtain other remedies under such document, the Indenture, the Loan Agreement or any other documents relating to the Bonds may be met with protracted litigation and/or bankruptcy proceedings, which could cause delays, and a court may decide not to order specific performance of covenants contained in such documents. Thus, there can be no assurance that upon the occurrence of an event of default on the Bonds the Trustee will be able to obtain possession of the Project or generate proceeds of sale or revenues from the Project, or obtain other relief, in a timely fashion.

Project is Special Purpose Facility. The Project will be constructed for multifamily residential rental housing purposes and is subject to physical restrictions that limit the alternative uses that can be made of such property. The Regulatory Agreements also impose significant restrictions on the use of the Project which could remain in effect, even in the event of foreclosure of the Mortgages. See "APPENDIX C – FORMS OF THE PRINCIPAL DOCUMENTS – REGULATORY AGREEMENT." If the Borrower is unable to operate the Project successfully as a multifamily residential rental housing facility, the number of entities that would be interested in purchasing or leasing the Project from the Borrower for other purposes could be limited, and the ability of the Trustee to lease or sell the Project to third parties would be adversely affected. Therefore, there is no assurance that the Trustee could realize sufficient proceeds from the foreclosure of the Mortgages and the sale of the Project thereunder to pay the Bonds in their entirety.

Rental Housing Requirements. The Project is subject to significant regulation which, among other things, affects the eligibility of tenants who may reside in the Project and the rents which may be charged to tenants. The Regulatory Agreement requires that at least 40% of the units of each Property be rented or held available to persons with incomes not in excess of 60% of the area median income, adjusted for family size. See "INTRODUCTION" and ["THE PROJECT – Project Regulation"] in this Limited Offering Memorandum. The restrictions are necessary to maintain the tax-exempt status of the Bonds. Further, in connection with the low-income housing tax credits, the Tax Credit Regulatory Agreement will, (a) restrict the income levels of 100% of the units in the Project to amounts not greater than 60% of the area median income, adjusted for family size, and (b) restrict the rents which may be charged for occupancy of units in

the Project to not more than 30% of 60% of the area median income, adjusted for family size. These restrictions may limit the ability of the Borrower to increase the rentals charged to the tenants of the Project to the extent required to compensate for increasing expenses. (See “APPENDIX A – THE PROJECT AND THE PRIVATE PARTICIPANTS – THE PROJECT – Description of the Project” and “FORMS OF THE PRINCIPAL DOCUMENTS – THE REGULATORY AGREEMENT” in APPENDIX C). The foregoing rental housing requirements may adversely affect the occupancy and revenues of the Project and may limit the Borrower’s ability to refinance the Project.

Equity Funding. The availability of tax credit equity proceeds to the Borrower from the Tax Credit Investor is governed by the Operating Agreement and related documents, which contain certain conditions precedent to the funding and potential adjustments to tax credit equity proceeds. See “APPENDIX A – THE PRIVATE PARTICIPANTS AND THE PROJECT – THE BORROWER - The Investor Limited Member.” The failure to satisfy the conditions precedent to funding tax credit equity in the amounts and at the times anticipated in the Operating Agreement may result in a default under the Bond Documents and the exercise of remedies under the Indenture. There is no guarantee that such conditions will be met.

Other Government Regulation. The Project will be subject to rules and regulations promulgated by various agencies and bodies of federal, state and local governments which have jurisdiction over such matters as employment, environment, safety, traffic and health. The impact of such rules and regulations on the Project is unknown and cannot be predicted. Future orders, pursuant to existing or subsequently enacted rules or regulations, may require the expenditure by the Borrower of substantial sums to effect compliance therewith.

Insurance Risks

The Loan Agreement requires the Borrower to carry certain insurance; however, there are certain types of losses (generally of a catastrophic nature) that are either uninsurable or not economically insurable. Such risks include, but may not be limited to, earthquakes, terrorism, war, and floods. Moreover, such insurance coverage is subject to certain upper limits, which may not be sufficient to pay the costs of remedying every event of casualty that may occur. In addition, the Borrower could mistakenly allow the insurance on the Project to lapse. If an uninsured loss occurs, a default in payment of the Bonds could result. Failure of an insurer to pay a claim could also result in a default on the Notes.

Substantial increases in general liability insurance premiums may occur at any time and, at times, the Borrower may experience difficulty in obtaining such insurance for the Project. Litigation may also arise from the corporate and business activities of the Borrower and from the status of the Borrower as an employer; many of these risks are covered by insurance, but some are not.

While the Borrower is required by the Loan Agreement to have in effect at all times comprehensive general liability insurance providing insurance against liability for personal and bodily injury including death resulting therefrom, if a claim or judgment against any Borrower for an amount in excess of the limits of such insurance were to arise, it would likely have a material adverse effect on the financial results of the Project and the Borrower.

Delinquent and Defaulting Tenants

The Borrower intends to rent units in the Project only to tenants that it judges to be creditworthy. Nevertheless, a portion of the tenants in the Project will be lower income persons who may not be able to make timely rental payments or will otherwise fail to make rental payments at all. To the extent possible, management intends to terminate rentals to such delinquent or defaulting tenants as soon as practicable after their default. Tenants who do not voluntarily vacate will require that the Borrower recover possession through legal action. Legal action is costly, both in regard to legal fees and expenses and to lost revenues

during the time necessary to remove the tenant. The existence of delinquent or defaulting tenants in the Project could adversely affect the ability of the Borrower to make timely payments, if at all, under the Loan Agreement and the Notes. Any failure by the Borrower to satisfy its payment obligations under the Loan Agreement and the Notes will have an adverse impact on the ability of the Trustee to pay debt service payments on the Bonds.

Acceleration of the Bonds; Limitation

The Indenture provides that following an Event of Default thereunder, the maturity of the Bonds may be accelerated by the Trustee, subject to cure provisions of the Indenture, and upon written request of the Bondholder Representative. See “APPENDIX C –FORMS OF THE PRINCIPAL DOCUMENTS – INDENTURE OF TRUST.”

Risk of Early Redemption

There are a number of circumstances under which all or a portion of the Bonds may be redeemed prior to their stated maturity. For a description of the circumstances in which Bonds may be redeemed and the terms of redemption, see “THE BONDS” in this Limited Offering Memorandum.

Risk of Loss Upon Redemption

The rights of Bondholders to receive interest will terminate on the date, if any, on which such Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Indenture and interest on such Bonds will no longer accrue on and after such date of redemption. There can be no assurance that the Borrower will be able or will be obligated to pay for any amounts not available under the Indenture. In addition, there can be no guarantee that present provisions of the Code or the rules and regulations thereunder will not be adversely amended or modified, thereby rendering the interest earned on the Bonds taxable for federal income tax purposes.

No Amortization of Series 2023A Bonds; Balloon Maturity of Series 2023A/B Bonds

[TO BE ADDED]

Effect of Bankruptcy

Bankruptcy and similar proceedings against the Borrower or any of them and usual equity principles may affect the enforcement of rights to first lien security for the Bonds. A court may invoke other equity principles to refuse to enforce specifically rights to such security. If such security is inadequate for payment in full of the Bonds, bankruptcy proceedings and usual equity principles may also limit any attempt by the Trustee to seek payment from other property, if any, of the Borrower.

If the Borrower was to file a petition for relief under the United States Bankruptcy Code, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Borrower, and any interest it has in property. If the bankruptcy court so orders, such Borrower’s property, including its accounts receivable and proceeds thereof, could be used, at least temporarily, for the benefit of the bankruptcy estate despite the claims of its creditors.

Bankruptcy proceedings by or against the Borrower could adversely affect Beneficial Owners of the Bonds by reducing or delaying payments on the Bonds and may impede enforcement by the Trustee and such Beneficial Owners of their claims to the collateral assigned and pledged to secure the Bonds.

Furthermore, judicial decisions concerning the status of reserve funds held by an indenture trustee have concluded that such reserves are “cash collateral” of a debtor in bankruptcy and have cast doubt on

the ability of the Trustee to use moneys in a reserve fund to make payments on the Bonds in the event of a bankruptcy of the affected Borrower.

The commencement of bankruptcy proceedings by or against the Borrower will result in an Event of Default under the Loan Agreement.

Enforceability of Remedies; Prior Claims

The Bonds are payable from the payments to be made under the Loan Agreement. Pursuant to the Indenture, the Bonds are secured by an assignment by the Issuer to the Trustee of certain of its rights under the Loan Agreement (except as provided therein) and by the Mortgages on the Project and the security interests in the personal property and revenues from the Project. The practical realization of the value from this property upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the Notes, the Mortgages and the Indenture. These and other remedies may require judicial actions, which are often subject to discretion and delay. Under existing law (including, without limitation, the United States Bankruptcy Code), the remedies specified by the Loan Agreement, the Mortgages, or the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Loan Agreement, the Mortgages or the Indenture. The various opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

In addition, the various security interests established under the Indenture and the Mortgages will be subject to Permitted Encumbrances, and may be limited by or subject to other claims and interests. Examples of such claims and interests are:

1. statutory liens and assessments for improvements;
2. rights arising in favor of the United States of America or any agency thereof;
3. constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction;
4. federal bankruptcy laws affecting amounts earned by a Borrower after institution of bankruptcy proceedings by or against such Borrower; and
5. the requirement that appropriate continuation statements be filed in accordance with the Uniform Commercial Code as from time to time in effect.

Absence of Rating; Limited Secondary Market

The Bonds are not rated by a nationally recognized rating agency. The Issuer did not request or apply for a rating on the Bonds. Typically, unrated bonds lack liquidity in the secondary market. Because of the lack of credit rating and probable lack of market for the Bonds, the holders of the Bonds may not be able to sell the Bonds. In addition, there are restrictions on transfer of the Bonds as set forth in "RESTRICTIONS ON OWNERSHIP AND TRANSFER OF THE BONDS" in this Limited Offering Memorandum. The Underwriter will not be obligated to replace or resell any of the Bonds and no representation is made concerning the existence of any secondary market therefor, nor can any assurance be given that any secondary market will develop following the completion of the placement of the Bonds, and no assurance can be given that the Bonds will maintain the prices at which the Bonds are placed, or

such prices will continue for any period of time. If a secondary market for the Bonds does not develop, holders of the Bonds may be unable to resell the Bonds for an extended period of time, if at all.

Any prospective purchaser of the Bonds, therefore, should undertake an independent investigation through its own advisors regarding the desirability and practicality of the investment in the Bonds. Any prospective purchaser should be fully aware of the long-term nature of an investment in the Bonds and should assume that it will have to bear the economic risk of its investment indefinitely. Any prospective purchaser of the Bonds that does not intend or that is not able to hold the Bonds for a substantial period of time is advised against investing in the Bonds.

Environmental Matters

[TO BE UPDATED][A Phase I Environmental Site Assessment (the “Phase I Report”), was completed by Professional Service Industries, Inc., Eagan, Minnesota (“PSI”), dated August 30, 2022, in connection with the construction of the Project. The Phase I Report indicated that there was (i) no evidence of any controlled recognized environmental condition, and (ii) no evidence of any historical recognized environmental condition for the Project. The Phase I Report revealed evidence of a recognized environmental condition (“REC”) as a portion of the site of the Project has previously been operated as a dry cleaning business and the past use of a business such as a dry cleaning business is considered to be evidence of a REC. In addition the Phase I identified the following vapor encroachment conditions (“VEC(s)”) as the site was historically occupied by a dry cleaner. Due to the possibility of PCE contamination in the soil, the historical operation of a dry cleaner on the subject property is a VEC.

PSI identified areas of minor staining on the paved parking area located on the subject property. The stains appear to be the result of leakage of automobile fluids and not the result of a large scale spill. PSI considers the presence of the staining a de minimis condition and, by definition, not a REC in connection with the subject property.

PSI conducted a Limited Phase II Environmental Site Assessment Report, dated October 10, 2022 (the “Phase II Report”). PSI recommended in the Phase II Report that the Borrower install an active vapor mitigation system in the Project to properly mitigate the vapor condition.

The Borrower represents that they are not aware of any releases of pollutants or contaminants at the Project other than as disclosed in the Phase I and Phase II that would give rise to enforcement actions under applicable state or federal environmental statutes. However, there could be other such releases not known to the Borrower as of the date of the issuance of the Bonds. The Borrower is not aware of any enforcement actions currently in process with respect to any releases of pollutants or contaminants at the real property relating to the Project.

The Project will be subject to risks arising out of environmental law considerations generally associated with ownership of real estate. Such risks include, in general, a decline in property values in the Project resulting from possible violations of applicable federal or state environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Compensation and Liability Act of 1980 (CERCLA), the Resource Conservation and Recovery Act of 1976 (RCRA). These risks may be associated with contamination of a Project from hazardous substances located in, on, around or in the vicinity of the Project.]

Infectious Disease Outbreak

An outbreak has occurred of a highly contagious infectious disease known as COVID-19 which has caused a pandemic internationally, nationally, in the State of Indiana, and in the Project’s market area. The effects of the pandemic could cause a significant delay in the construction on the Project and could

otherwise adversely affect the Project's operations and financial results. A significant delay in completion of construction may adversely impact the Borrower's ability to comply with certain tax code requirements. See the caption "Taxation of the Bonds" and "TAX MATTERS" below.

[Legislative Response to COVID-19]

[TO BE UPDATED] Federal, state and local bodies have enacted and continue to enact legislative actions, regulations and/or other administrative directives and guidance to mitigate the impacts of COVID-19 on the general population and the economy. On March 12, 2020, the President of the United States declared a national emergency, and since that time, the United States Congress has approved several COVID-19 related bills, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), signed into law on March 27, 2020, and the Consolidated Appropriations Act, 2023, enacted by the United States Congress on December 21, 2020, and signed into law December 27, 2020 (the "COVID Relief Act").

With respect to multifamily affordable housing mortgage loans which are (a) insured, guaranteed, supplemented or assisted in any way by the federal government (including any HUD program or related program) or administered by any federal agency or (b) purchased or securitized by Fannie Mae or Freddie Mac (collectively, "Federal Multifamily Loans"), the CARES Act provides that, if such Federal Multifamily Loan was current as of February 1, 2020, and is not for temporary financing (i.e., not a construction loan), then until the earlier of the termination of the Pandemic or the date established the Federal Housing Finance Agency (which date was extended indefinitely on September 24, 2021 from its most recent extension through September 30, 2021), the borrower may request a 30-day payment forbearance, and up to two additional 30-day forbearances. During the period of any such forbearance, the borrower may not evict any tenant solely for nonpayment of rent. Such relief follows actions previously taken by the Federal Housing Finance Agency, which announced that Fannie Mae and Freddie Mac would offer mortgage loan forbearance to multifamily property owners on the condition that they suspend all evictions for renters who cannot pay their rent because of COVID-19.

To further prevent the spread of COVID-19, the Centers for Disease Control and Prevention ("CDC"), located within the Department of Health and Human Services, has issued an order preventing any entity with a legal right to pursue eviction or other possessory action from evicting certain covered persons from residential properties through December 31, 2020, which date was extended multiple times and ultimately expired on July 31, 2021. On August 3, 2021 the CDC imposed a new eviction moratorium effective through October 3, 2021 for United States counties experiencing substantial and high levels of community transmission of COVID-19, as determined by the CDC. On August 26, 2021, the U.S. Supreme Court upheld the decision of the U.S. District Court for the District of Columbia vacating the CDC's latest eviction moratorium finding that the CDC lacked statutory authority to impose the moratorium. No assurances can be given that subsequent federal, state or local legislation enacted in response to the COVID-19 pandemic will not adversely affect the Borrower's ability to collect rent and evict tenants for nonpayment of rent or otherwise operate the Project as planned.]

Taxation of the Bonds

The interest on the Bonds may be includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds for a variety of reasons. The excludability from gross income is dependent upon, among other things, compliance with certain restrictions regarding investment of Bond proceeds and the Borrower with the Tax Certificate, under each of which enforcement remedies available to the Issuer and the Trustee are severely limited. Failure of the Borrower to comply with the terms and conditions of the documents relating to the Bonds or the Loan Agreement, the Regulatory Agreements, the Tax Certificate, and other documents as described herein may result in the loss of the tax-exempt status of the interest on the Bonds retroactive to the date of issuance of the Bonds. See "Rental

Housing Requirements” under this heading and “TAX MATTERS” in this Limited Offering Memorandum. Although a determination of taxability is not an express Event of Default, the Borrower has covenanted to take all action necessary to cause interest on the Bonds to remain tax-exempt; therefore, if interest on the Bonds becomes taxable, this could be an Event of Default. No assurance can be given that sufficient funds will be available in such a case to enable the Bonds to be redeemed at the applicable redemption price.

If interest on the Bonds should become included in gross income for federal income tax purposes, the market for and value of the Bonds would be adversely affected.

Moreover, there can be no assurance that the present advantageous provisions of the Code, or the rules and regulations thereunder, will not be retroactively adversely amended or modified, thereby resulting in the inclusion in gross income of the interest on the Bonds for federal income tax purposes or otherwise eliminating or reducing the benefits of the present advantageous tax treatment of the Bonds. There can be no assurance that Congress will not adopt legislation applicable to the Bonds, the Borrower or the Project or that the Borrower would be able to comply with any such future legislation in a manner necessary to maintain the tax-exempt status of the Bonds. The Borrower is required under the Loan Agreement to use their best efforts to comply with any other future federal income tax law requirements in order to maintain the tax-exempt status of the Bonds to the extent that any such other requirements are made applicable to the Borrower or the Project. There is no assurance, however, that the Borrower would be able to comply with any such other requirements.

Possible Consequence of Tax Compliance Audit

The IRS has established a general audit program to determine whether issues of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for the interest of those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. It cannot be predicted whether the IRS will commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome. Such an audit could result in the IRS declaring that interest on the Bonds should be included in gross income for federal income tax purposes. See “TAX MATTERS” in this Limited Offering Memorandum.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the Borrower and the Project:

1. Reinstatement of or establishment of mandatory governmental wage, rent or price controls.
2. Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in project revenues from residents of the Project.
3. Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in project revenues.
4. Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Borrower and the Project.
5. The occurrence of any natural disasters or other disruptions that impact the operations of the Project (or any of them).

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Limited Offering Memorandum and the Appendices hereto so as to make a judgment as to whether the Bonds are an appropriate investment, and obtain such additional information as they deem advisable in connection with their evaluation of the suitability of the Bonds for investments.

RESTRICTIONS ON OWNERSHIP AND TRANSFER OF THE BONDS

[TO BE DISCUSSED] Each initial Beneficial Owner of the Bonds is required to be either (i) a “Qualified Institutional Buyer” (as defined in Rule 144A under the Securities Act); or (ii) an “Accredited Investor” (as defined in Rule 501 of Regulation D under the Securities Act) that, in either case, has provided an executed “Investor Letter” to the Issuer, the Underwriter and the Trustee in the form attached hereto as APPENDIX G. Thereafter, neither the Bonds nor any beneficial ownership interest in the Bonds may be transferred by the Bondholder or Beneficial Owner thereof except (A) in Authorized Denominations and (B) to any person that is either a “Qualified Institutional Buyer” or an “Accredited Investor”.

INVESTOR SUITABILITY STANDARDS

[TO BE DISCUSSED] Investment in the Bonds involves a significant degree of risk and is only suitable for investors who satisfy the requirements set forth below. As a condition to its purchase of the Bonds, each purchaser of the Bonds shall be deemed to have certified to the Underwriter and the Issuer the following:

(a) It has relied on the information contained in this Limited Offering Memorandum and has had an opportunity to review the risks associated with the Project contained herein, particularly under the section headed “RISK FACTORS AND INVESTMENT CONSIDERATIONS;”

(b) It understands that at the time of the initial placement, the Bonds are not rated and no application will be made to obtain a rating for the Bonds;

(c) It can (i) bear the economic risk of the purchase of the Bonds and (ii) has such knowledge and experience in business and financial matters as to be capable of evaluating the risks and merits of an investment in the Bonds;

(d) It acknowledges (i) that the Bonds are suitable only for inclusion in a diversified portfolio containing high yield, high risk securities and (ii) that such purchaser has undertaken the responsibility for obtaining all the information that is deemed necessary and desirable to form such a decision to purchase the Bonds.

(e) It understands that the Bonds are not currently required to be, have not been, and are not intended to be, registered under the Securities and Exchange Act of 1934 or registered or otherwise qualified under the securities laws of any state or other jurisdiction (collectively, the “Securities Laws”), and that any sale or other transfer of the Bonds (other than estate transfer) may only be to transferees as meet the qualifications set forth in paragraph (a)-(d) above and only in accordance with such Securities Laws.

It acknowledges that:

(i) It has reviewed and relied on this Limited Offering Memorandum to evaluate the risk factors associated with its investment decision to purchase the Bonds;

(ii) It has been provided with full and complete access to and has been furnished with all the information requested regarding the Borrower, the Project (including site visit offers), and the Bonds as was deemed by such purchaser necessary in connection with the purchase of the Bonds;

(iii) It has been advised that the Issuer neither has nor has assumed responsibility for any information in this Limited Offering Memorandum, except for the information under the heading “THE ISSUER,” and under the subheading “LITIGATION – The Issuer” and the Issuer makes no representations as to the contents of this Limited Offering Memorandum other than those referenced above.

(f) It has waived any requirement of due diligence and investigation or inquiry on the part of any of the Issuer, bond counsel, or the Trustee.

(g) It is purchasing the Bonds for its own account for investment purposes and not with a view to distribution, transfer or resale thereof.

LITIGATION

The Issuer

To the Issuer’s knowledge, as of the date of this Limited Offering Memorandum, there is not pending or threatened any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued or which in any manner questions the right of the Issuer to enter into the Indenture, the Loan Agreement or the Regulatory Agreements or to secure the Bonds in the manner provided in the Indenture.

The Borrower

At the time of the issuance and delivery of the Bonds, the Borrower will deliver a certificate to the effect that no litigation and no proceedings are pending or, to their knowledge, threatened against the Borrower, the Managing Member or otherwise with respect to the Project, or the acquisition and rehabilitation thereof, or the issuance of the Bonds or which would adversely affect the transactions contemplated by this Limited Offering Memorandum.

NO RATINGS

No application had been made nor is anticipated to be made to S&P Global Ratings, Moody’s Investors Service, Inc., or any other similar rating service for a rating on the Bonds.

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Bonds by the Issuer are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel. Copies of the approving opinion of Bond Counsel will be available at the time of delivery of the Bonds in substantially the form set forth in APPENDIX D.

Certain legal matters will be passed upon for the Borrower by its counsel, Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, and for the Underwriter by its counsel, Ballard Spahr LLP, Minneapolis, Minnesota.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering those opinions on the legal issues explicitly addressed in

this Limited Offering Memorandum. By rendering the legal opinion, the opinion giver does not become an insurer or Developer of an expression of professional judgment of the transaction opined upon or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

In the opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the Issuer, under existing federal statutes, decisions, regulations, and rulings, interest on the Series 2023A Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Code, except for interest on any Series 2023A Bond for any period during which such Series 2023A Bond is held by a person who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code. Further, under existing law, interest on the Series 2023A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax applicable to individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. This opinion is conditioned on continuing compliance by the Issuer and the Borrower with the Tax Covenants (herein defined). Failure to comply with the Tax Covenants could cause interest on the Series 2023A Bonds to lose the excludability from gross income for federal income tax purposes retroactive to the date of issue.

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on its examination of the documents described in its opinions, under existing law, the interest on the Series 2023A Bonds is not includable to the same extent in gross income or taxable net income of individuals, estates, or trusts for the purposes of State of Minnesota income taxation. Interest on the Series 2023A Bonds is subject to Minnesota franchise taxes imposed on corporations, including financial institutions, and is a specific item of tax preference for determining the Minnesota alternative minimum tax applicable to individuals, estates, and trusts. See “APPENDIX __—FORM OF BOND COUNSEL OPINION.”

Interest to be paid on the Series 2023B Bonds and Series 2023C Bonds is included in gross income of the recipient for federal income tax purposes and in taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is subject to Minnesota franchise taxes imposed on corporations and financial institutions.

The Code imposes certain requirements that must be met subsequent to the issuance of the Series 2023A Bonds as a condition to the excludability from gross income of interest on the Series 2023A Bonds for federal income tax purposes. The Issuer and the Borrower will covenant not to take any action nor fail to take any action, within their respective power and control, with respect to the Series 2023A Bonds that would result in the loss of the excludability from gross income for federal income tax purposes of interest on the Series 2023A Bonds pursuant to Section 103 of the Code (collectively, the “Tax Covenants”). The Indenture and certain certificates and agreements to be delivered on the date of delivery of the Series 2023A Bonds establish procedures under which compliance with the requirements of the Code can be met.

Although Bond Counsel will render an opinion, in the form attached as APPENDIX __ hereto, that interest on the Series 2023A Bonds is excludable from federal gross income, the accrual or receipt of interest on the Series 2023A Bonds may otherwise affect a Bondholder’s federal income tax or state tax liability with respect to the Series 2023A Bonds. The nature and extent of these other tax consequences will depend upon the Bondholder’s particular tax status and a Bondholder’s other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion regarding any

other tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to other consequences of owning the Bonds.

Legislation affecting tax-exempt obligations is regularly considered from time to time by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2023A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2023A Bonds will not have an adverse effect on the tax-exempt status of the Series 2023A Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2023A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

A form of the opinion of Bond Counsel is attached hereto as APPENDIX D. Copies of such opinion will be available at the time of the initial delivery of the Bonds.

THE TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN OWNER'S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF HOLDING AND DISPOSING OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

BOND COUNSEL'S OPINION IS BASED ON EXISTING LAW, WHICH IS SUBJECT TO CHANGE. SUCH OPINION IS FURTHER BASED ON BOND COUNSEL'S KNOWLEDGE OF FACTS AS OF THE DATE THEREOF. BOND COUNSEL ASSUMES NO DUTY TO UPDATE OR SUPPLEMENT ITS OPINION TO REFLECT ANY FACTS OR CIRCUMSTANCES THAT MAY THEREAFTER COME TO BOND COUNSEL'S ATTENTION OR TO REFLECT ANY CHANGES IN ANY LAW THAT MAY THEREAFTER OCCUR OR BECOME EFFECTIVE. MOREOVER, BOND COUNSEL'S OPINIONS ARE NOT A GUARANTEE OF RESULT AND ARE NOT BINDING ON THE INTERNAL REVENUE SERVICE (THE "SERVICE"); RATHER, SUCH OPINIONS REPRESENT BOND COUNSEL'S LEGAL JUDGMENT BASED UPON ITS REVIEW OF EXISTING LAW AND IN RELIANCE UPON THE REPRESENTATIONS AND COVENANTS REFERENCED ABOVE THAT IT DEEMS RELEVANT TO SUCH OPINIONS. THE SERVICE HAS AN ONGOING AUDIT PROGRAM TO DETERMINE COMPLIANCE WITH RULES THAT RELATE TO WHETHER INTEREST ON STATE OR LOCAL OBLIGATIONS IS INCLUDABLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. NO ASSURANCE CAN BE GIVEN WHETHER OR NOT THE SERVICE WILL COMMENCE AN AUDIT OF THE BONDS. IF AN AUDIT IS COMMENCED, IN ACCORDANCE WITH ITS CURRENT PUBLISHED PROCEDURES THE SERVICE IS LIKELY TO TREAT THE ISSUER AS THE TAXPAYER AND THE OWNERS MAY NOT HAVE A RIGHT TO PARTICIPATE IN SUCH AUDIT. PUBLIC AWARENESS OF ANY FUTURE AUDIT OF THE BONDS COULD ADVERSELY AFFECT THE VALUE OF THE BONDS DURING THE PENDENCY OF THE AUDIT REGARDLESS OF THE ULTIMATE OUTCOME OF THE AUDIT.

UNDERWRITER

The Bonds are being purchased by Piper Sandler & Co. (the "Underwriter") for a purchase price of \$_____ (representing the par amount of the Bonds) pursuant to a Bond Purchase Agreement, entered into among the Issuer, the Borrower and the Underwriter (the "Bond Purchase Agreement"). The Bond Purchase Agreement provides that the Underwriter will receive compensation for its services from

the Borrower in the amount of \$_____ plus expenses of \$____. The Bonds may be offered and sold only to (i) Qualified Institutional Buyers (ii) Accredited Investors or (iii) trust or custodial arrangement in which all of the beneficial owners are either Qualified Institutional Buyers or Accredited Investors. Each initial purchaser of the Bonds shall provide an investor letter substantially in the form attached hereto as APPENDIX G.

Pursuant to the Bond Purchase Agreement, the Borrower has agreed to indemnify the Underwriter and the Issuer against certain liabilities. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the Bond Purchase Agreement. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any Bonds are purchased.

The Underwriter is a full service financial institution engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter has provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which it received or will receive customary fees and expenses.

In the ordinary course of its various business activities, the Underwriter, and its officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer and/or persons and entities with relationships with the Issuer. The Underwriter may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriter does not guarantee a secondary market for the Bonds and is not obligated to make any such market for the Bonds. No assurance can be made that such a market will develop or continue. Consequently, investors may not be able to resell Bonds should they need or wish to do so for emergency or other purposes.

CONTINUING DISCLOSURE

The limited offering of the Bonds is not subject to the continuing disclosure requirements of Securities and Exchange Commission Rule 15c(2)-12 by virtue of paragraph (d)(1) of such Rule.

The Borrower, however, has agreed pursuant to the terms of a Continuing Disclosure Agreement dated as of June 1, 2023 by and between the Borrower and U.S. Bank Trust Company, National Association, acting as dissemination agent (the “Dissemination Agent”), to voluntarily provide certain financial and operating information to the Bondholder Representative, through the Dissemination Agent making annual filings with the Municipal Securities Rulemaking Board (“MSRB”) via the Electronic Municipal Marketing Access (“EMMA”) System.

The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the placement of the Bonds or to any decision to purchase, hold or sell the Bonds and the Issuer will not provide any such information. The Borrower has undertaken all responsibilities for any continuing disclosure to holders of the Bonds as described above, and the Issuer shall have no liability to the holders of the Bonds or any other person with respect to the Rule. See “FORM OF CONTINUING DISCLOSURE AGREEMENT” in APPENDIX E hereto.

MISCELLANEOUS

Any statements made in this Limited Offering Memorandum involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The references herein to the Act, the Indenture, the Loan Agreement, the Notes, the Mortgages, the Regulatory Agreement, and other documents are brief outlines of certain provisions thereof. Such outlines do not purport to be complete or comprehensive and for a full and complete statement of the provisions thereof, reference is made to the Act and such documents, copies of which documents will be on file at the designated office of the Trustee following delivery of the Bonds or the Underwriter as Noted in this Limited Offering Memorandum.

The agreement of the Issuer with the Holders of the Bonds is fully set forth in the Indenture, and this Limited Offering Memorandum is not to be construed as constituting any agreement with the purchasers of the Bonds. Insofar as any statements are made in this Limited Offering Memorandum involving matters of opinion, whether or not expressly so stated, they are intended merely as such, and not as representations of fact.

The attached Appendices are integral parts of this Limited Offering Memorandum and must be read together with all of the foregoing statements.

The Borrower has reviewed the information contained herein which relates to it and the Project and has approved all such information for use within this Limited Offering Memorandum.

The Issuer has not participated in the preparation of this Limited Offering Memorandum and has not verified the accuracy of the information contained herein, other than the information respecting the Issuer contained under “THE ISSUER” and “LITIGATION – The Issuer.” The Issuer’s approval of this Limited Offering Memorandum does not constitute approval of the information contained herein, other than that information relating to the Issuer, or a representation of the Issuer as to the completeness or accuracy of the information contained in this Limited Offering Memorandum.

APPENDIX A

THE PROJECT AND THE PRIVATE PARTICIPANTS

APPENDIX A
THE PROJECT AND THE PRIVATE PARTICIPANTS

APPENDIX B

MARKET STUDY

APPENDIX C

FORMS OF THE PRINCIPAL DOCUMENTS

APPENDIX C
FORMS OF THE PRINCIPAL DOCUMENTS

APPENDIX D

FORM OF BOND COUNSEL OPINION

APPENDIX D
FORM OF BOND COUNSEL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

APPENDIX G

FORM OF INVESTOR LETTER

APPENDIX G
FORM OF INVESTOR LETTER

BOND PURCHASE AGREEMENT

Dated June [___], 2023

by and between

PIPER SANDLER & CO.

CITY OF FRIDLEY, MINNESOTA

and

ROERS FRIDLEY APARTMENTS OWNER II LLC

Relating to:

**\$(PAR A)
City of Fridley, Minnesota
Multifamily Housing Revenue Bonds
(Moon Plaza Apartments)
Series 2023A**

**\$(PAR B)
City of Fridley, Minnesota
Multifamily Housing Revenue Bonds
(Moon Plaza Apartments)
Taxable Series 2023B**

**\$(PAR C)
City of Fridley, Minnesota
Multifamily Housing Revenue Bonds
(Moon Plaza Apartments)
Taxable Series 2023C**

This instrument drafted by:
Ballard Spahr LLP (BWJ)
2000 IDS Center
80 S. Eighth Street
Minneapolis, Minnesota 55402

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Definitions of Terms and Description of Transaction.	1
Section 2. Purchase and Sale.	2
Section 3. Offering of Bonds and Establishment of Issue Price.	2
Section 4. Limited Offering Memorandum; Continuing Disclosure Agreement.....	2
Section 5. Representations and Warranties of Issuer.....	3
Section 6. Representations and Warranties of Borrower.	4
Section 7. Covenants.....	7
Section 8. Conditions of Closing.	8
Section 9. Closing.	12
Section 10. Termination of Agreement.....	13
Section 11. Fees and Expenses; Costs of Issuance.	16
Section 12. Indemnification.	16
Section 13. Underwriter Not Acting as Advisor or Fiduciary	18
Section 14. Concerning the Issuer	18
Section 15. Concerning the Underwriter	19
Section 16. Miscellaneous.	19
 EXHIBIT A Glossary of Terms.....	 A-1
EXHIBIT B Terms of Bonds.....	B-1
EXHIBIT C Certificate as to Issue Price.....	C-1
EXHIBIT D Form(s) of Opinion(s) of Counsel to the Borrower, the Managing Member, the Developer and the Guarantors	D-1
EXHIBIT E Form of Supplemental Opinion of Bond Counsel	E-1

BOND PURCHASE AGREEMENT

Piper Sandler & Co. (together with its successors, assigns or designees hereunder, the “Underwriter”), hereby offers to enter into this Bond Purchase Agreement dated June [], 2023 (this “Agreement”) with the City of Fridley, Minnesota, a home rule charter city and political subdivision organized and existing under the Constitution and laws of the State of Minnesota, and any successor (or any successor thereto, the “Issuer”), and Roers Fridley Apartments Owner II LLC, a limited liability company duly organized and validly existing under the laws of the State of Minnesota (together with its permitted successors and assigns, the “Borrower”), for the sale by the Issuer and the purchase and redelivery by the Underwriter of the Bonds described below, which are being issued by the Issuer for the benefit of the Borrower. Upon acceptance of this offer and execution and delivery of this Agreement, this Agreement will be binding upon each of the Borrower, the Issuer and the Underwriter. This offer is made subject to acceptance by the Borrower and the Issuer, evidenced by execution by the Borrower and the Issuer and delivery of this Agreement to the Underwriter, at or prior to [5:00 p.m.], Central time, on the date hereof and will expire if not so accepted at or prior to such time (or such later time as the Underwriter may agree in writing).

Section 1. Definitions of Terms and Description of Transaction.

1.1 Capitalized terms used herein shall have the meaning assigned to them in the Glossary of Terms attached as Exhibit A, or if not defined herein or in Exhibit A hereto shall have the meanings ascribed to such terms in the Indenture.

1.2 The Bonds shall be as described in, and shall be issued pursuant to, the Indenture and the Bond Resolution, and in accordance with the applicable provisions of the Act. The Bonds shall contain the terms and provisions as described in the Limited Offering Memorandum and will bear interest at the rate or rates described therein.

1.3 The Issuer will use the proceeds of the Bonds to make the Loan to the Borrower pursuant to the Loan Agreement. The Borrower’s obligation to repay the Loan will be evidenced by the Notes in the principal amount of the Bonds. The Borrower’s obligations under the Notes and the Loan Agreement will be secured as provided in the Indenture and the Loan Agreement and as described in the Limited Offering Memorandum. The security for the Borrower’s obligations under the Notes and the Loan Agreement will be pledged and assigned to the Trustee under the Indenture to secure the Bonds.

1.4 The proceeds of the Loan will be used by the Borrower to finance (i) the acquisition and construction of an approximately 250,000-square-foot rentable apartment community that will consist of an approximately 169-unit multifamily housing development for households of low and moderate income, and functionally related facilities, expected to be known as Moon Plaza, to be located at approximately 6257 University Avenue Northeast in the City of Fridley, Minnesota (the “Project”), (ii) fund capitalized interest on the Bonds, and (iii) pay the costs of issuance of the Bonds.

1.5 To provide compliance with certain requirements of the Code applicable to the Bonds, the Issuer, the Trustee and the Borrower will execute certain tax certificates and the Issuer, the Trustee and the Borrower will enter into the Regulatory Agreement regarding the operation of the Project.

1.6 The Borrower will enter into the Continuing Disclosure Agreement regarding ongoing disclosure of certain information relating to the Bonds and the Project.

Section 2. Purchase and Sale.

2.1 Subject to the terms and conditions set forth in this Agreement, and in reliance on the representations, warranties and covenants contained herein, (a) the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter when, as and if issued, all (but not less than all) of the Bonds on the Closing Date in exchange for delivery by the Underwriter of the Purchase Price for the Bonds and (b) the Underwriter agrees to deliver the Bonds to the Bond Purchaser on the Closing Date.

2.2 The Bonds will (a) be issued pursuant to the Bond Resolution and the Indenture, (b) have the payment related terms (that is, the dated date, maturity dates, initial mandatory tender date, interest rates, interest payment dates and redemption provisions) set forth in Exhibit B attached hereto and (c) will otherwise correspond to the description thereof contained in the Limited Offering Memorandum.

Section 3. Offering of Bonds and Establishment of Issue Price.

3.1 The Underwriter agrees, on a reasonable efforts basis, to facilitate the sale of the Bonds in a limited offering to the Bond Purchaser in accordance with the further provisions of this Section 3 and to no more than thirty-five (35) persons that qualify as “Accredited Investors” (as defined in Rule 501 of Regulation D under the 1933 Act) or “Qualified Institutional Buyers” (as defined in Rule 144A under the 1933 Act). The Underwriter agrees to comply with all applicable rules of the MSRB.

3.2 The Underwriter agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, in substantially the form attached hereto as Exhibit C, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

Section 4. Limited Offering Memorandum; Continuing Disclosure Agreement.

4.1 The Borrower previously has delivered, or caused to be delivered, to the Underwriter the Preliminary Limited Offering Memorandum. The Borrower shall provide to the Underwriter, at the Borrower’s expense, the final Limited Offering Memorandum as soon as practicable following the execution and delivery of this Agreement, but in no event later than the Closing Date, in a quantity of copies mutually agreed upon, together with all supplements and amendments thereto, signed on behalf of the Borrower.

4.2 The Issuer and the Borrower each hereby (a) confirms its consent to the use prior to the date hereof by the Underwriter of the Preliminary Limited Offering Memorandum and preliminary forms of the Issuer Documents and Borrower Documents in the offering of the Bonds, and (b) consents to the use of the Limited Offering Memorandum by the Underwriter and its delivery to the Bond Purchaser in connection with the offering and sale of the Bonds.

4.3 The Borrower agrees that if, between the date of this Agreement and the Closing Date, any event occurs of which the Borrower has knowledge which might cause the information in the Limited Offering Memorandum to contain any untrue statement of a material fact or to omit to state any material fact required to be stated therein or necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, the Borrower shall notify the Underwriter, and if in the opinion of the Underwriter such event requires the

preparation and publication of a supplement or amendment to the Limited Offering Memorandum, the Borrower shall cooperate with the Underwriter to supplement or amend the Limited Offering Memorandum in a form and in a manner approved by the Underwriter and the Issuer, at the sole expense of the Borrower. References in this Agreement to the Limited Offering Memorandum subsequent to any such supplement or amendment shall mean the Limited Offering Memorandum as it may be supplemented or amended from time to time pursuant to this Section 4.3.

4.4 The Borrower agrees with the Underwriter, for its benefit and the benefit of the Bond Purchaser and the Holders from time to time of the Bonds, that the Borrower will undertake, pursuant to the Continuing Disclosure Agreement to provide annual financial information and notices of the occurrence of specified events in a manner consistent with the requirements of Rule 15c2-12. The form of the Continuing Disclosure Agreement is attached to the Limited Offering Memorandum as APPENDIX E.

Section 5. Representations and Warranties of Issuer.

5.1 The Issuer hereby makes the following representations and warranties to the Underwriter, for its benefit and the benefit of the Holders from time to time of the Bonds, all of which will continue in effect subsequent to the purchase of the Bonds:

(a) The Issuer is a home rule charter city and municipal corporation of the State, duly organized and existing under the Constitution and laws of the State and its City Charter and is authorized to execute and deliver this Agreement and the other Issuer Documents and to issue, sell and deliver the Bonds pursuant to the laws of the State, including particularly the Act.

(b) The statements and information contained in the Issuer Covered Portion of the LOM are, and as of the date of Closing will be, true and correct in all material respects, and the Issuer Covered Portion of the LOM does not and will not contain any untrue or misleading statement of a material fact relating to the Issuer or omit to state any material fact relating to the Issuer necessary to make the statements therein in light of the circumstances under which they were made, not misleading.

(c) To the actual knowledge of the persons executing this Agreement on behalf of the Issuer, execution and delivery of this Agreement does not, and the adoption of the Bond Resolution and the execution and delivery of the Bonds, the Indenture, the Loan Agreement, and compliance with the provisions of each of them, under the circumstances contemplated thereby, will not, in any material respect, conflict with or constitute on the part of the Issuer a breach of or default under any other agreement or instrument to which the Issuer is a party or any existing law, administrative regulation, court order or consent decree to which the Issuer is subject.

(d) With respect to such matters that are preconditions to the issuance of the Bonds that are identified in the Act and the Indenture, the Issuer has, to its knowledge, and at the date of the Closing will have, in all respects complied therewith.

(e) To the actual knowledge of the persons executing this Agreement on behalf of the Issuer, all approvals, consents and orders of any governmental authority, board, agency, council, commission or other body in or of the Issuer or the State having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Indenture and the Bonds, have been obtained or, if not, will be obtained at the time of or prior to the Closing (provided no representation or

warranty is expressed as to any action required under federal or state securities or Blue Sky laws in connection with the purchase of the Bonds by the Underwriter).

(f) The City Council of the Issuer duly adopted the Bond Resolution authorizing the issuance, execution, delivery and performance of the Bonds and the Issuer Documents.

(g) To the knowledge of the persons executing this Agreement on behalf of the Issuer, no litigation is pending or, to the actual knowledge of the Issuer, threatened (A) seeking to restrain or enjoin the issuance or delivery of any of the Bonds or the application of proceeds of the Bonds as provided in the Indenture or the collection of revenues of the Issuer pledged under the Indenture, (B) in any way contesting or affecting any authority for the issuance of the Bonds or the validity of the Bonds or the other Issuer Documents, or (C) in any way contesting the existence or powers of the Issuer.

(h) The Issuer Covered Portion of the LOM in the Preliminary Limited Offering Memorandum was, as of its date, and is, as of this date, deemed “final” within the meaning of paragraph (b)(1) of the Rule 15c2-12.

(i) The Underwriter has not provided any municipal advisory services to the Issuer within the meaning of Rule 15Ba1-1 of the 1934 Act.

5.2 Each of the representations and warranties set forth in this Section will survive the Closing.

5.3 Any certificate signed by an authorized signatory of the Issuer and delivered to the Underwriter in connection with the delivery of the Bonds will be deemed to be a representation and warranty by the Issuer to the Underwriter for its benefit and for the benefit of the Holders from time to time of the Bonds, as to the statements made therein.

Section 6. Representations and Warranties of Borrower.

6.1 The Borrower makes the following representations and warranties to the Issuer and the Underwriter for their benefit and for the benefit of the Holders from time to time of the Bonds, as of the date hereof, all of which will continue in effect subsequent to the purchase of the Bonds:

(a) The Borrower is, and at all times will be, a limited liability company duly organized, validly existing and in good standing under the laws of the State. The Managing Member is, and at all times will be, a limited liability company duly organized, validly existing and in good standing under the laws of the State.

(b) The Borrower has, and on the Closing Date will have, full legal right, power and authority (i) to execute and deliver this Agreement and the Borrower Documents and (ii) to consummate the transactions contemplated by this Agreement, the Borrower Documents, and the Limited Offering Memorandum. The Managing Member has, and on the Closing Date will have, full legal right, power and authority to execute and deliver this Agreement, and the Borrower Documents on behalf of the Borrower.

(c) The Borrower has duly authorized the execution and delivery of this Agreement and the performance by the Borrower of the obligations contained herein, and prior to the Closing Date the Borrower will have duly authorized the (i) execution and delivery of the Borrower Documents, (ii) performance by the Borrower of the obligations

contained in the Borrower Documents, and (iii) consummation by the Borrower of all transactions contemplated hereby and by the Borrower Documents, and the Limited Offering Memorandum.

(d) All consents, approvals, authorizations or orders of, notices to, or filings, registrations or declarations with, any State court or governmental authority, board, agency, commission or body having jurisdiction which are required on behalf of the Borrower or for the execution and delivery by the Borrower of this Agreement and the Borrower Documents or the consummation by the Borrower of the transactions contemplated hereby or thereby or by the Limited Offering Memorandum, have been obtained or will be obtained prior to the Closing Date.

(e) The Borrower has not knowingly taken or omitted to take on or prior to the date hereof any action that would adversely affect (i) the excludability of the interest on the Series 2023A Bonds from the gross income of the Holders thereof for purposes of federal income taxation under the Code or (ii) the eligibility for the reimbursements under the TIF Agreement.

(f) All information concerning the Project, the Borrower, the Managing Member or the Guarantors submitted to the Underwriter by the Borrower or the Managing Member, is true and correct in all material respects as of the date hereof and does not omit to state a material fact necessary to make the statements therein not misleading.

(g) Except as otherwise disclosed to the Underwriter, there is no legal action, suit, proceeding, inquiry or investigation at law or in equity (before or by any Minnesota court, agency, arbitrator, public board or body or other entity or person) pending against or affecting the Borrower, the Managing Member or the Guarantors or, to the knowledge of the Borrower, threatened on any basis therefor (i) in any way affecting the organization and existence of the Borrower, the Managing Member or the Guarantors, (ii) contesting or materially affecting the validity or enforceability of this Agreement, the Borrower Documents or the Guarantor Documents, (iii) contesting the powers of the Borrower or its authority with respect to the Borrower Documents, (iv) contesting the authority of the Managing Member to act on behalf of the Borrower, (v) wherein an unfavorable decision, ruling or finding would have a material adverse effect on (A) the operations of the Borrower, the Managing Member or the Guarantors, (B) the due performance by the Borrower of the Borrower Documents or by the Guarantors of the Guarantor Documents to which such Guarantors is/are a party or the transactions contemplated by any Borrower Document or Guarantor Document or the Limited Offering Memorandum, (C) the validity or enforceability of any of the Borrower Documents or the transactions contemplated hereby or by any Borrower Document or Guarantor Document or the Limited Offering Memorandum, (vi) in any way contesting the completeness or accuracy of the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum, or (vii) in any way contesting the excludability from the gross income of the Holders thereof for purposes of federal income taxation of the interest on the Series 2023A Bonds under the Code.

(h) This Agreement is, and, when executed and delivered by the Borrower and the other parties hereto, and the Borrower Documents will be, the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

(i) The execution and delivery by the Borrower of this Agreement and the Borrower Documents and the consummation by the Borrower of the transactions contemplated thereby and hereby and by the Limited Offering Memorandum are not prohibited by, do not violate any provision of, and will not result in a breach of or default under (i) organizational documents of the Borrower, (ii) any applicable Legal Requirements to which the Borrower is subject, or (iii) any contract, indenture, agreement, mortgage, lease, commitment or other obligation or instrument to which the Borrower is a party or by which the Borrower or its properties is bound.

(j) All permits, licenses and other authorizations necessary for the ownership, acquisition, construction, and equipping of the Project in the manner contemplated by the Limited Offering Memorandum and the Borrower Documents have been obtained or will be obtained by the time required, and said ownership, acquisition, construction, and equipping are not in conflict with any zoning or similar ordinance applicable to the Project.

(k) As of the date hereof, the Borrower is not in violation of, breach of or default under any applicable law of the state of its organization, the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, which violation or breach of or default would have a material adverse effect upon the transactions contemplated by this Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with or constitute on the part of the Borrower a violation or breach of or default under any law of the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound which violation, breach or default would have a material adverse effect upon the transactions contemplated by this Agreement, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents.

(l) As of its date and as of the date hereof the information in the Preliminary Limited Offering Memorandum did not and does not, and as of the date hereof and at all times subsequent hereto until and including the Closing Date, the information in the Limited Offering Memorandum does not and will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Borrower makes no representation or warranty herein as to the Borrower Excluded Portion of LOM.

(m) The Underwriter has not provided any municipal advisory services to the Borrower within the meaning of Rule 15Ba1-1 of the 1934 Act.

6.2 Each of the representations and warranties set forth in this Section 6 will survive the Closing.

6.3 Any certificate signed by the Borrower or the Managing Member and delivered to the Underwriter shall be deemed a representation and warranty by the Borrower to the Underwriter for its benefit and for the benefit of the Holders from time to time of the Bonds, as to the statements made therein.

Section 7. Covenants.

7.1 The Issuer hereby makes the following covenants with the Underwriter:

(a) Prior to the Closing, the Issuer will not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the revenues, assets, properties, funds or interests which will be pledged pursuant to the Indenture and the other Issuer Documents.

(b) After all conditions have been met with respect to the issuance of the Bonds (including without limitation the payment of the Purchase Price), the Issuer will cause the Bonds to be delivered in accordance with this Agreement, and upon receipt of evidence that the Trustee has received the Purchase Price set forth in Section 2.1 hereof, to the address and at the time specified by the Underwriter in conjunction with the Closing in compliance with the requirements of the Indenture.

(c) The Issuer will not knowingly take or omit to take any action which will in any way cause the proceeds of the Bonds to be applied in a manner other than as provided in the Indenture or which would cause the interest on the Series 2023A Bonds to be included in the gross income of the Holders thereof for federal income tax purposes under the Code.

(d) Prior to the Closing, the Issuer will obtain all governmental consents, approvals, orders or authorizations of any governmental authority or agency that would constitute a condition precedent to the performance by it of its obligations in connection with the issuance and sale of the Bonds under the Bond Resolution, this Agreement, the Issuer Documents and the Bonds.

(e) The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, at the expense of the Borrower, as the Underwriter may reasonably request in endeavoring (i) to qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the Issuer be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject.

7.2 The Borrower hereby makes the following covenants with the Issuer and the Underwriter:

(a) The Borrower will not knowingly take or omit to take any action which will in any way cause the proceeds of the Bonds to be applied in a manner other than as provided in the Indenture or which would cause the interest on the Series 2023A Bonds to be includable in the gross income of the Holders thereof for federal income tax purposes under the Code.

(b) Prior to the Closing, the Borrower will obtain all governmental consents, approvals, orders or authorizations of any governmental authority or agency, if any, that would constitute a condition precedent to the performance by it of its obligations under this Agreement and the Borrower Documents.

(c) Prior to Closing, the Borrower will take all actions necessary for the approval, execution and delivery of the TIF Assignment.

(d) The Borrower will not voluntarily undertake any course of action inconsistent with the satisfaction by the Borrower of the requirements applicable to it, as set forth in this Agreement and the Borrower Documents.

(e) The Borrower will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts upon the reasonable request of the Underwriter to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Borrower shall not be required to register as a dealer or broker of securities or execute a general or special consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

Section 8. Conditions of Closing.

8.1 The Underwriter has entered into this Agreement in reliance upon representations, covenants and agreements of the Issuer and the Borrower contained herein, in reliance upon the representations, covenants and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer and the Borrower of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter’s obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds and deliver the Bonds to the Bond Purchaser will be subject to the performance by the Issuer and the Borrower of their obligations to be performed by them hereunder at or prior to the Closing, and to the accuracy in all material respects of the representations, covenants and agreements of the Issuer and of the Borrower contained herein as of the date hereof and as of the Closing as if made on the Closing Date, and will also be subject to the following additional conditions:

(a) There shall not have occurred any material error, misstatement or omission in the representations and warranties made by either of the Borrower or the Issuer in this Agreement, which representations and warranties will be deemed to have been made again at and as of the time of the Closing and will then be true in all material respects.

(b) Each of the Borrower and the Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by the Borrower or the Issuer at or prior to Closing.

(c) This Agreement, the Issuer Documents and the Borrower Documents shall have been executed and delivered by each of the parties thereto, shall be in full force and effect on and as of the Closing Date, shall be received by the Underwriter in form and substance satisfactory to the Underwriter, and no event of default shall exist under any such documents.

(d) There shall have been delivered to the Underwriter evidence satisfactory to the Underwriter that the TIF Assignment shall have been delivered in form and substance acceptable to the Underwriter and shall be in full force and effect.

(e) The Underwriter shall have received the Limited Offering Memorandum, signed by the Borrower, and consent letters or the equivalent from the preparers of the third-party reports referred to therein (including the appraisal, market study, Phase I environmental assessment and Phase II environmental assessment).

(f) The Issuer, the Trustee and the Underwriter shall have received an investor letter in the form attached as APPENDIX G to the Limited Offering Memorandum, executed by each Bond Purchaser.

(g) There shall have been delivered to the Underwriter evidence satisfactory to the Underwriter that the Borrower shall have closed, or made arrangements satisfactory to the Underwriter to close, all Related Financing with respect to the Project.

(h) Each Bond Purchaser provides oral confirmation to the Underwriter that its conditions to closing have been met (or waived, as applicable) and the Bond Purchaser is ready to close.

(i) On the Closing Date, (1) the Underwriter shall have received, in immediately available funds, the Underwriter's Fee as set forth in Section 11, and the costs and expenses of the Underwriter incurred as of the date of the execution and delivery hereof, and (2) the Trustee shall have received the deposits required to be made in the Accounts.

8.2 In addition to the conditions set forth above, the obligations of the Underwriter to consummate at the Closing the transactions contemplated hereby are subject to receipt by the Underwriter of the following items:

(a) The approving opinion of Bond Counsel from Taft Stettinius & Hollister LLP, dated the Closing Date and addressed to the Issuer, in substantially the form set forth in APPENDIX D attached to the Limited Offering Memorandum, and a reliance letter of such counsel dated the Closing Date and addressed to the Underwriter and the Trustee.

(b) Opinions dated the Closing Date and addressed to the Underwriter and to such other parties as may be appropriate of:

(i) A Supplemental Opinion of Bond Counsel, in substantially the form set forth in Exhibit E attached hereto.

(ii) Counsel to the Borrower, the Managing Member, the Guarantors and the Developer, in the form and substance satisfactory to the Underwriter, the Bond Purchaser and Bond Counsel in the form(s) attached hereto as Exhibit D.

(c) An opinion of counsel to the Underwriter in a form satisfactory to the Underwriter.

(d) For each of the Borrower, the Managing Member and each Guarantor (if such Guarantor is not an individual), a certified copy of its organizational documents as in effect on the date of closing, including copies of all filed documents, which shall, with respect to the Borrower and the Managing Member, contain provisions denoting its single purpose entity status, and evidence that all action necessary for the valid execution, delivery and performance by the Borrower, the Managing Member and the Guarantors of this Agreement and the other Borrower Documents and Guarantor Documents, respectively, as applicable, to which it is or is to become a party shall have been duly and effectively taken.

(e) A closing certificate of the Issuer, dated the Closing Date, to the effect that (1) the representations and warranties of the Issuer contained in this Agreement and the other Issuer Documents are true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date; (2) to the Issuer's knowledge, the statements and information in the Issuer Covered Portion of LOM are true and correct in all material respects and do not contain 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 are made, not misleading; (3) that the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Bonds and the Issuer Documents on or prior to the Closing; and (4) such other matters reasonably requested by the Underwriter.

(f) A closing certificate of the Borrower, dated the Closing Date and reasonably satisfactory to the Underwriter, to the effect that: (1) each of the attached organizational documents, certificate of existence, and member consents (if any), is true, correct and complete and has not been amended, modified or rescinded; (2) each of the Borrower's representations and warranties contained herein and in the other Borrower Documents is true and correct in all material respects on and as of the Closing Date; (3) the Borrower has performed and complied in all material respects with all agreements and conditions required of the Borrower by this Agreement to be performed and complied with by it at or prior to the Closing; (4) the information in the Preliminary Limited Offering Memorandum as of its date and as of the date hereof, and the Limited Offering Memorandum as of the date hereof and as of the Closing Date, was and is true and correct and did not state and 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 were made, not misleading; provided, however, that the Borrower makes no representation as to the information in the Borrower Excluded Portion of LOM; (5) no event has occurred concerning the Borrower or the Project since the date of the Limited Offering Memorandum which should be disclosed in the Limited Offering Memorandum (other than the Borrower Excluded Portion of LOM) in order to make the statements and information therein not misleading in any material respect; (6) there is no legal action, suit, proceeding, inquiry or investigation at law or in equity (before or by any court, agency, arbitrator, public board or body or other entity or person) pending or, to its knowledge, threatened against the Borrower nor, to the best knowledge

of the Borrower, any basis therefor (i) in any way contesting the existence of the Borrower, (ii) in any way contesting the authority of the Managing Member to act on behalf of the Borrower, or (iii) which would have a material adverse effect on the financial condition or operations of the Borrower or the consummation of the transactions on the part of the Borrower contemplated hereby or by any Borrower Document; and (7) such other matters reasonably requested by the Underwriter or the Issuer.

(g) Closing certificates of the Managing Member, the Guarantors and the Developer, dated the Closing Date, in form and substance reasonably satisfactory to the Underwriter.

(h) A closing certificate of the Property Manager dated the Closing Date, in form and substance reasonably satisfactory to the Underwriter.

(i) A pro forma mortgagee title insurance policy issued by the Title Company to the Trustee, dated effective as of the date of recording of the Mortgage, in form, scope and substance satisfactory to the Underwriter, insuring the lien of the Mortgage in an amount equal to the aggregate face amount of the Bonds, subject only to such liens and encumbrances as the Underwriter and the Bond Purchaser may approve.

(j) Evidence of the insurance required under the Bond Documents, including, without limitation, flood insurance to the extent that any portion of the Project is located in a Special Flood Hazard area as defined by the United States Department of Housing and Urban Development.

(k) A certified legal description and ALTA/ACSM Land Title Survey of the land included in the Project by a surveyor approved by the Underwriter in form and substance acceptable to the Underwriter.

(l) Evidence in such form as the Underwriter may reasonably require of (i) satisfactory subdivision of the Project and zoning for all buildings and improvements; (ii) the valid issuance of all necessary permits and licenses to construct and operate the buildings and improvements, including without limitation all permits and licenses required under applicable law with respect to subdivision, zoning, safety, building, occupancy, fire protection, environmental, energy and similar matters; (iii) the availability of all utility and municipal services required for the operation of the buildings and improvements; and (iv) the availability of means of access to and from such property, by means of public ways or easements benefiting such property.

(m) Evidence reasonably satisfactory to the Underwriter that building permits have been provided or will be provided upon the payment of fees.

(n) A budget detailing the costs of the proposed construction of the Project and plans and specifications detailing the scope of such construction, all satisfactory to the Underwriter.

(o) Copies of contracts with an architect and a general contractor or prime contractors, satisfactory to the Underwriter, for the performance of the construction, plus consents of the assignments of all such contracts to the Trustee by each professional.

(p) Evidence reasonably satisfactory to the Underwriter to the effect that the final plans and specifications and the construction contract(s) satisfactorily provide for the

construction of the Project, and construction of the Project can be completed within the time provided in such construction contract(s) for an amount not greater than the amounts allocated for such purpose on the submitted budget.

(q) Copies of a contract with the Property Manager, satisfactory to the Underwriter, for the management of the Project, plus consents of the assignments of all such contracts to the Trustee by such Property Manager.

(r) An environmental site assessment satisfactory to the Underwriter in scope, form and substance, and performed and certified to the Underwriter by an environmental engineer satisfactory to the Underwriter with a reliance letter to the Underwriter.

(s) A closing certificate of the Trustee, dated the Closing Date, in form and substance satisfactory to the Underwriter.

(t) A properly completed IRS Form 8038 as to the Series 2023A Bonds to be filed by Bond Counsel on behalf of the Issuer with the Internal Revenue Service promptly following the Closing Date.

(u) Evidence reasonably satisfactory to the Underwriter of the creation and perfection of the various security interests purported to be created by the Bond Documents.

(i) Such additional legal opinions, certificates, proceedings, agreements, instruments and other documents as the Underwriter, Underwriter's Counsel, or Bond Counsel may reasonably request to evidence compliance with any legal requirements, to provide such additional assurances as the Underwriter may request, the truth and accuracy, as of the time of Closing, of any representations given and the due performance or satisfaction at or prior to such time of all agreements then to be performed and all conditions then to be satisfied as conditions precedent to the issuance of the Bonds.

8.3 If any of the conditions set forth in Sections 8.1 or 8.2 has not been met on the Closing Date, the Underwriter may, at its sole option, terminate this Agreement or proceed to Closing upon waiving any rights under this Agreement with respect to any such condition. If this Agreement is terminated pursuant to this Section, no party will have any rights or obligations to the other parties hereto, except as provided in Sections 11 and 12.

Section 9. Closing.

9.1 The Closing will take place on or before 12:00 p.m. Central Time on the Closing Date or at such other time or on such other date as may be mutually agreed upon by the Underwriter, the Bond Purchaser, the Issuer and the Borrower.

9.2 The following actions will take place at the Closing:

(a) Not later than the day before the Closing Date, the Underwriter will provide, and the Borrower will approve, the Closing Memorandum.

(b) Prior to 10:00 a.m., Central Time, on the Closing Date, or at such time on such earlier or later date as shall be agreed upon in writing by the Issuer, the Borrower and the Underwriter, the Underwriter shall initiate a wire transfer in immediately available funds to be deposited with the Trustee pursuant to its wire instructions set forth in the Closing Memorandum of the full Purchase Price for the Bonds, which funds the Issuer and

the Underwriter hereby instruct the Trustee to hold in escrow for the benefit of the Underwriter pending release by the Underwriter upon its acceptance of the delivery of the Bonds as set forth in the following paragraph. Upon the Underwriter's release, the Issuer shall apply the Purchase Price to the purchase of the Bonds.

(c) On or before 12:00 p.m., Central Time, on the Closing Date, or at such time on such earlier or later date as shall be agreed upon in writing by the Issuer, the Borrower and the Underwriter:

(i) The Issuer shall direct the Trustee to deliver the Bonds to the Underwriter through the facilities of DTC pursuant to DTC's Deposit and Withdrawal at Custodian procedures, in definitive form, duly executed by the Issuer and authenticated by the Trustee;

(ii) The Issuer, the Borrower and the Underwriter shall deliver or cause to be delivered to the Underwriter at or from the offices of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, as Bond Counsel, or at such other place or places as the Issuer, the Borrower and the Underwriter agree upon, the Closing Documents; and

(iii) The Underwriter shall (a) accept delivery of the Bonds through the FAST System and the Trustee shall release the Purchase Price for the Bonds, which shall be deposited by the Trustee in the Accounts set forth in the Indenture upon the issuance of the Bonds and applied as set forth in the Indenture and the Closing Memorandum and (b) deliver the Bonds to the Bond Purchaser through the facilities of DTC in exchange for an amount equal to the Purchase Price.

9.3 As a condition precedent to such acceptance by the Underwriter, (a) the Underwriter shall have received the Underwriter's Fee by wire transfer in immediately available federal funds to the order of the Underwriter, in such manner as shall be agreed upon by the Borrower and the Underwriter (but in no event shall such fee be netted against the purchase price of the Bonds) and (b) the Trustee shall have received the deposits required to be made in the Accounts on the Closing Date, all in accordance with the Indenture and the Closing Memorandum.

9.4 In the event that the Closing has not occurred by 2:00 p.m., Central Time, on the date set forth above, the Issuer hereby instructs the Trustee to return the Purchase Price to the Underwriter by wire transfer pursuant to instructions provided by the Underwriter to the Trustee; provided that upon written notice to the Issuer, the Borrower and the Trustee, the Underwriter may extend the foregoing deadline in its sole discretion.

Section 10. Termination of Agreement.

10.1 The Underwriter shall have the right to cancel its obligation to purchase the Bonds and to terminate this Agreement by written notice to the Issuer and the Borrower if, at any time subsequent to the date hereof and at or prior to the Closing, in the Underwriter's sole and reasonable judgment any of the following events shall occur (each a "Termination Event"):

(a) The market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall be materially adversely affected by any of the following events:

(i) Legislation shall have been enacted by the Congress of the United States or the legislature of the State or shall have been favorably reported out of committee of either body or be pending in committee of either body, or shall have been formally recommended through the proper legislative process to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation or temporary regulation, release or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or state authority with appropriate jurisdiction, with respect to federal or state taxation upon interest received on obligations of the general character of the Bonds; or

(ii) There shall have occurred (A) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (B) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis; or

(iii) A general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction; or

(iv) Legislation shall have been enacted by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been formally recommended through the proper legislative process to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that any obligations of the general character of the Bonds or any comparable securities of the Issuer are not exempt from the registration, qualification or other requirements of the 1933 Act or the 1939 Act or otherwise, or would be in violation of any provision of the federal securities laws; or

(v) Except as disclosed to the Underwriter, or disclosed in or contemplated by the Limited Offering Memorandum, any material adverse change in the affairs or financial condition of the Issuer or the Borrower, the Managing Member or any Guarantor shall have occurred; or

(vi) Any litigation is instituted or threatened to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting, questioning or affecting any authority for or the validity of the Bonds, any of the Issuer Documents or Borrower Documents or the money or revenues pledged to the payment thereof or any of the proceedings of the Issuer taken with respect to the issuance and sale thereof, or the existence or powers of the Issuer or the Borrower; or

(vii) Any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto; or

(b) A general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force; or

(c) A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(d) Any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, the Underwriter or the Bond Purchaser shall have been established by the New York Stock Exchange, the SEC, any other federal or state agency or the Congress of the United States, or by Executive Order; or

(e) A decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Agreement or by the Limited Offering Memorandum, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the 1933 Act, the 1934 Act and the 1939 Act; or

(f) There shall have occurred any governmental action that, in the opinion of the Underwriter or counsel to the Underwriter, has the effect of requiring any governmental consents, approvals, orders or authorizations for the consummation of the transactions contemplated by this Agreement, the other Issuer Documents, the Borrower Documents or the Guarantor Documents which cannot, without undue expense, be obtained prior to the Closing Date; or

(g) Any event or circumstance shall exist or have existed that, in the reasonable judgment of the Underwriter, either makes untrue or incorrect in any material respect any statement or information in the Limited Offering Memorandum or is not reflected in the Limited Offering Memorandum but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, the Limited Offering Memorandum shall not have been supplemented or amended to reflect such event or circumstance; or

(h) There shall have occurred any change that, in the reasonable judgment of the Underwriter, makes unreasonable or unreliable any of the assumptions upon which: (i) yield on the Bonds for purposes of compliance with the Code, (ii) payment of debt service on the Bonds, or (iii) the basis for the exclusion from gross income for federal income tax purposes of interest on the Series 2023A Bonds is predicated; or

(i) The delivery to the Bond Purchaser of the Bonds by the Underwriter on the Closing Date, on the terms and conditions contemplated by this Agreement and the Limited Offering Memorandum, is prevented, or the Bond Purchaser is otherwise unable to settle and take delivery of the Bonds on the Closing Date.

(j) The closing conditions in Section 8 hereof have not been met.

10.2 Upon the occurrence of a Termination Event and the termination of this Agreement by the Underwriter, all obligations of the Issuer, the Borrower, the Underwriter under this Agreement shall terminate, without further liability, except as provided in Sections 11 and 12.

Section 11. Fees and Expenses; Costs of Issuance.

11.1 The Borrower agrees to pay the Underwriter \$[] (which does not include Underwriter's Counsel fee) in connection with the offering, sale and delivery of the Bonds (the "Underwriter's Fee"), plus expenses of \$[], in addition to the other fees and expenses stipulated below in this Section 11 (together with the Underwriter's Fee and expenses, the "Closing Fees and Expenses"). The Closing Fees and Expenses are payable on the Closing Date. Payment of the Closing Fees and Expenses is solely the obligation of the Borrower.

11.2 The Borrower shall pay or cause to be paid all costs of issuance of the Bonds, including all reasonable expenses incident to the performance of the Underwriter's obligations hereunder in connection with its offering, purchase and delivery of the Bonds, including, but not limited to, (a) the fees set forth in Section 2.2 of the Loan Agreement when due; (b) the cost of the preparation, printing or other reproduction of the Bond Resolution, this Agreement, the Issuer Documents, the Borrower Documents, the Guarantor Documents, the Preliminary Limited Offering Memorandum, and the Limited Offering Memorandum, in reasonable quantities for distribution; (c) the cost of producing, authenticating and delivering the Bonds; (d) the fees and expenses of the Issuer; (e) the fees and disbursements of all applicable legal counsel, including Bond Counsel, Issuer's counsel, Underwriter's counsel, Bond Purchaser's counsel and Trustee's counsel; (f) the fees and expenses, including without limitation all initial and continuing fees and expenses, of the Trustee and the Dissemination Agent and all paying agents, transfer agents and bond registrars; (g) the fees and expenses, including travel expenses, incurred by representatives of the Borrower or the Issuer in connection with the issuance, sale and delivery of the Bonds; (h) the Closing Fees and Expenses described above (including the Underwriter's Fee); (i) CUSIP fees; (j) all other reasonable and applicable fees of professionals hired in connection with the issuance of the Bonds, and (k) all other expenses in connection with the offering and delivery of the Bonds. The Borrower shall also pay for any expenses incurred by the Underwriter which are incidental to implementing this Agreement and the issuance of the Bonds, and any other miscellaneous closing costs. The Borrower acknowledges it had an opportunity, in consultation with such advisors as it deemed appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

11.3 The Borrower (and with respect to the Issuer, the Managing Member) shall indemnify the Issuer and the Underwriter with respect to the foregoing costs and expenses set forth in Section 11.2 in the event that the purchase and delivery provided herein is not consummated unless, insofar as indemnification of the Underwriter is concerned, such purchase and delivery is prevented at the Closing Date by the Underwriter's default, negligence or willful misconduct.

11.4 The Issuer shall not have any obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bonds.

Section 12. Indemnification.

12.1 To the fullest extent permitted by law, the Borrower (and with respect to the Issuer and the Managing Member) agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer and the Underwriter, and each past, present and future member, officer, director, official,

employee and agent of the Issuer, the Underwriter and the Bond Purchaser, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the 1933 Act, or Section 20 of the 1934 Act (collectively referred to herein as the “Indemnified Parties”), against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys’ fees), causes of action (whether in contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the “Liabilities,” and each, a “Liability”) directly or indirectly arising from or in any way relating to (a) the Bonds, the Loan, the Loan Agreement, the Notes, the Indenture, this Agreement, the Project, the Bond Documents or any document related to the Bonds or the Project (collectively, the “Transaction Documents”) or any transaction or agreement pertaining to the foregoing or (b) any untrue or misleading statement or alleged untrue or alleged misleading statement of a material fact contained in the Limited Offering Memorandum except for information set forth in the Borrower Excluded Portion of LOM or caused by any omission or alleged omission from the Preliminary Limited Offering Memorandum and/or Limited Offering Memorandum (except the Borrower Excluded Portion of LOM) of any material fact necessary to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

12.2 Any Indemnified Party shall notify the Borrower of the existence of any Liability to which this indemnification obligation would apply and shall give to the Borrower an opportunity to defend the same at the Borrower’s expense and with counsel satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense. If there may be legal defenses available to the Indemnified Party that are in conflict with those available to the Borrower or if the Borrower shall, after this notice and within a period of time necessary to preserve any and all defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Borrower, provided that any compromise or settlement shall be entered into only with the consent of the Borrower.

12.3 In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in Section 12.2 is for any reason held to be unavailable (other than a holding to the effect that the specific circumstances are not the subject of the indemnity), the Borrower and the Indemnified Party shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Indemnified Party may be subject, so that the Indemnified Party is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Indemnified Party in connection with the issuance and administration of the Bonds bear to the aggregate offering price of the Bonds, with the Borrower responsible for the balance; provided, however, that in no case shall the Indemnified Party be responsible for any amount in excess of the fees paid by the Borrower to the Indemnified Party in connection with the issuance and administration of the Bonds.

12.4 The Indemnified Parties, other than the Issuer and the Underwriter, shall be considered to be intended third party beneficiaries of this Agreement for purposes of indemnification and exculpation from liability, the provisions of which shall be in addition to all liability that the Borrower may otherwise have and shall survive any termination of this Agreement, the delivery of the Bonds and the payment or provisions for payment of the Bonds.

12.5 The indemnification hereunder shall be in addition to, and shall not limit, any indemnity granted by the Borrower pursuant to the Loan Agreement, the Regulatory Agreement or any other document.

12.6 The indemnification obligations hereunder shall be limited as follows: (a) in the case of any Indemnified Party other than the Issuer and its related Indemnified Parties, they shall not be indemnified by the Borrower with respect to Liabilities caused by the gross negligence or willful misconduct of such party, and (b) in the case of the Issuer and any related Indemnified Party, they shall not be indemnified by the Borrower with respect to Liabilities arising from their own bad faith, fraud or willful misconduct.

12.7 In no case shall the Underwriter be responsible to the Borrower or any other Indemnified Party for any amount in excess of the Underwriter's Fee applicable to the Bonds purchased by it pursuant to this Agreement. No recourse shall be had against the Underwriter for loss, damage, liability, cost or expense (whether direct, indirect or consequential) of the Borrower arising out of or in defending, prosecuting, negotiating or responding to any inquiry, questionnaire, audit, suit, action, or other proceeding brought or received from the Internal Revenue Service in connection with the Bonds or otherwise relating to the tax treatment of interest on the Bonds.

12.8 Notwithstanding anything to the contrary contained in this Section 12, it is understood and agreed that nothing in this Section 12 or elsewhere in this Agreement shall be deemed or construed as a modification of or limitation on the rights of the Issuer and the Issuer Indemnified Persons to indemnification from the Borrower under the indemnification provisions of the Loan Agreement AND THAT THE RELEASE AND INDEMNIFICATION OF THE ISSUER AND THE ISSUER INDEMNIFIED PERSONS PROVIDED FOR IN SECTION 2.5 OF THE LOAN AGREEMENT SHALL APPLY TO THIS AGREEMENT AS IF FULLY SET FORTH HEREIN.

Section 13. Underwriter Not Acting as Advisor or Fiduciary. The Issuer and the Borrower each acknowledge and agree that (a) the purchase, offering and delivery of the Bonds pursuant to this Agreement is an arm's-length commercial transaction among the Issuer, the Borrower and the Underwriter, (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor, municipal advisor or fiduciary of the Issuer or the Borrower, (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Issuer or the Borrower with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer or the Borrower on other matters) and the Underwriter has no obligation to the Issuer or the Borrower with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement and (d) the Issuer and the Borrower have consulted their own legal, financial and other advisors to the extent they deem appropriate. Further, the Issuer and the Borrower expressly release the Underwriter from any obligation to market the Bonds to any potential investor other than the Bond Purchaser.

Section 14. Concerning the Issuer. The Underwriter acknowledges that Issuer has not participated in the preparation of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum and has made no independent investigation and has furnished no information contained in the Limited Offering Memorandum, except the information contained in the Issuer Covered Portion of LOM and that except for the Issuer Covered Portion of LOM, the Issuer assumes no responsibility with respect to the sufficiency, accuracy, or completeness of any of the information contained in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum or any other document used in connection with the offer and sale of the Bonds.

Section 15. Concerning the Underwriter. The obligations of the Underwriter hereunder shall be without recourse to any shareholder, member, partner, trustee, officer, employee, agent or manager of the Underwriter and no shareholder, member, partner, trustee, officer, employee, agent or manager of the Underwriter shall be personally liable for the payment of any obligation of the Underwriter hereunder. In the event any legal actions or proceedings are brought in respect of such obligations, any judgment against the Underwriter shall be enforced only against the assets of the Underwriter and not against any property of any shareholder, member, partner, trustee, officer, employee, agent or manager of the Underwriter.

Section 16. Miscellaneous.

16.1 All notices, demands and formal actions hereunder will be in writing and mailed, telecopied or delivered to the following addresses or such other address as any of the parties shall specify:

If to the Underwriter	Piper Sandler & Co. 3424 Peachtree Road NE Suite 2050 Atlanta, GA 30326 Attention: Cody N. Wilson, Managing Director
With a copy to:	Ballard Spahr LLP 2000 IDS Center 80 South 8 th Street Minneapolis, MN 55402 Attention: Benjamin Johnson, Esq.
If to the Issuer:	City of Fridley, Minnesota 7071 University Avenue Northeast Fridley, MN 55432 Attention: Finance Director/Treasurer
With a copy to:	Taft Stettinius & Hollister LLP 2200 IDS Center 80 South 8 th Street Minneapolis, MN 55402 Attention: Catherine Courtney, Esq.
If to the Borrower:	Roers Fridley Apartments Owner II LLC c/o Roers Companies Two Carlson Parkway North, Suite 400 Plymouth, MN 55447 Attention: Andy Bollig, Brian Roers, and Lara Page
With a copy to:	Winthrop & Weinstine, P.A. Capella Tower 225 South 6 th St., Suite 3500 Minneapolis, MN 55402 Attention: Kevin M. McLain

Copies to counsel shall not constitute notice to the parties.

16.2 This Agreement will inure to the benefit of and be binding upon the parties hereto and their permitted successors and assigns and will not confer any rights upon any other person except as provided herein with respect to the Holders of the Bonds.

16.3 This Agreement may not be assigned by the Issuer or the Borrower. This Agreement may be assigned by the Underwriter upon written notice of such assignment from the Underwriter to the Issuer and the Borrower. The Underwriter may designate the entity in whose name the Bonds are to be registered at Closing by providing registration information to the Trustee on or prior to the Closing Date.

16.4 This Agreement may not be amended without the prior written consent of the Issuer, the Borrower and the Underwriter.

16.5 The representations, covenants and agreements of the Issuer and the Borrower will not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of (a) any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations, covenants and agreements and (b) delivery of and payment for the Bonds.

16.6 This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument. To the fullest extent permitted by applicable law, electronically transmitted or facsimile signatures shall constitute original signatures for all purposes under this Agreement.

16.7 This Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of the Bonds.

16.8 This Agreement will become effective and binding upon the respective parties hereto upon the execution and delivery hereof by the parties hereto and will be valid and enforceable as of the time of such execution and delivery.

16.9 If any provision of this Agreement is held or deemed to be or is, in fact, inoperative, invalid or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision of any constitution, statute, rule of public policy, or any other reason, such circumstances will not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

16.10 This Agreement will be governed by and construed in accordance with the laws of the State applicable to agreements to be performed wholly therein, without regard to conflict of laws principles.

16.11 The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. For purposes hereof: (i) "electronic signature" means a manually signed original signature that is then transmitted by electronic means or a digital signature of an authorized representative of any party provided by AdobeSign or DocuSign (or such other digital signature provider as specified by such party) in English and (ii) "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a portable document format ("pdf") or

other replicating image attached to an electronic mail or internet message , then such signature is a valid and binding signature of the authorized representative of such party.

[SIGNATURES ON NEXT PAGE]

If the foregoing accurately sets forth our mutual understanding concerning the subject matter hereof, kindly indicate acceptance by executing this Agreement and returning this executed Agreement to the undersigned.

PIPER SANDLER & CO.

By: _____

Name: Cody N. Wilson

Title: Managing Director

[SIGNATURES CONTINUED ON NEXT PAGE]

Accepted as of the date first above written:

CITY OF FRIDLEY, MINNESOTA

By: _____
Scott J. Lund
Mayor

By: _____
Walter T. Wysopal
City Manager

[SIGNATURES CONTINUED ON NEXT PAGE]

Accepted as of the date first above written:

ROERS FRIDLEY APARTMENTS OWNER II LLC,
a Minnesota limited liability company

By: Roers Fridley Apartments Managing Member II LLC,
a Minnesota limited liability company

Its: Managing Member

By: _____
Tom Cronin
Its: Authorized Signer

EXHIBIT A

GLOSSARY OF TERMS

“1933 Act” means the Securities Act of 1933, as amended.

“1934 Act” means the Securities Exchange Act of 1934, as amended.

“1939 Act” means the Trust Indenture Act of 1939, as amended.

“Accounts” means all of the funds and accounts to be established under, and defined in, the Indenture.

“Act” means Minnesota Statutes, Chapters 462A, 462C, and 474A, as amended.

“Agreement” means this Bond Purchase Agreement, as amended from time to time.

“Assignment of Capital Contributions” means that certain Assignment of Capital Contributions to be dated as of June 1, 2023, from the Borrower to the Trustee.

“Assignment of Management Agreement” means that contain Assignment of Management Agreement to be dated as of June 1, 2023, from the Borrower to the Trustee, together with the consent of the Property Manager.

“Assignment of Project Documents” means that certain Assignment of Project Documents to be dated as of June 1, 2023, from the Borrower to the Trustee.

“Bond Documents” means, collectively, the Borrower Documents and the Issuer Documents.

“Bond Purchaser” means certain funds that are managed by [_____], as registered investment advisor.

“Bond Resolution” means the resolution adopted by the Issuer on June [16], 2023, relating to the transactions contemplated by this Agreement.

“Bonds” means the Series 2023A Bonds, the Series 2023B Bonds, and the Series 2023C Bonds.

“Borrower” means Roers Fridley Apartments Owner II LLC, a limited liability company duly organized, validly existing and in good standing under the laws of the State of Minnesota, together with its permitted successors and assigns hereunder.

“Borrower Documents” means, collectively, this Agreement, the Loan Agreement, the Regulatory Agreement, the Tax Certificate, the Mortgage, the Notes, the Continuing Disclosure Agreement, the Remarketing Agreement, the Environmental Indemnity, the Assignment of Project Documents, Assignment of Capital Contributions, the Assignment of Management Agreement, the Replacement Reserve Agreement, the Guaranty of Debt Service and Stabilization, the TIF Assignment, the Subordinate TIF Mortgage, Redevelopment Agreement, [the Disbursing Agreement,] the Operating Agreement, and all other agreements, documents and certificates as may be required to be executed and delivered by the Borrower to carry out, give effect to, and consummate the transactions contemplated by this Agreement or by the other Borrower Documents.

“Borrower Excluded Portion of LOM” means the Issuer Covered Portion of LOM and the statements and information contained in the Preliminary Limited Offering Memorandum and the Limited

Offering Memorandum under the captions “TAX MATTERS” and “UNDERWRITER”, and in APPENDICES C through G.

“**Closing**” means the proceeding at which the actions described in Section 9 are performed.

“**Closing Date**” means June [___], 2023, or such later as may be approved by the Underwriter, the Bond Purchaser, the Issuer and the Borrower.

“**Closing Documents**” means the Closing Memorandum and the other documents and instruments required to be delivered for the Closing of the Bonds pursuant to this Agreement.

“**Closing Fees and Expenses**” has the meaning provided in Section 11.

“**Closing Memorandum**” means the Closing Memorandum containing certain wire and deposit instructions relating to receipt and application of the Purchase Price for the Bonds and the disbursement of certain Closing Fees and Expenses.

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

“**Continuing Disclosure Agreement**” means that certain Continuing Disclosure Agreement to be dated as of June 1, 2023, between the Borrower and the Dissemination Agent.

“**Developer**” means Roers Fridley Apartments Developer II LLC, a Minnesota limited liability company.

“**Developer Fee Pledge**” means that certain Developer Limited Guaranty, Pledge and Security Agreement to be dated as of June 1, 2023, from the Developer in favor of the Trustee.

“**Disbursing Agreement**” means [TO BE DISCUSSED].

“**Dissemination Agent**” means U.S. Bank Trust Company, National Association, as dissemination agent under the Continuing Disclosure Agreement, and its successors or assigns.

“**DTC**” means The Depository Trust Company (a limited purpose trust company), New York, New York, and its successors or assigns.

“**EMMA**” means the Electronic Municipal Market Access System for municipal securities disclosures maintained by the Municipal Securities Rulemaking Board and located at <http://emma.msrb.org>, or any successor or similar system that is acceptable to or as may be specified by the SEC from time to time.

“**Environmental Indemnity**” means that certain Environmental Indemnity Agreement to be dated as of June 1, 2023, by the Borrower and the Guarantors in favor of the Trustee.

“**Managing Member**” means is Roers Fridley Apartments Managing Member II LLC, a limited liability company duly organized and validly existing under the laws of the State of Minnesota, together with its permitted successors and assigns hereunder.

[“**Managing Member Pledge**” means that certain Limited Guaranty, Pledge of Membership Interests and Security Agreement to be dated as of June 1, 2023 from the Managing Member to the Trustee.][WILL THERE BE A MANAGING MEMBER PLEDGE HERE?]

“Operating Agreement” means the Amended and Restated Operating Agreement of Roers Fridley Apartments II LLC, dated [____], 2023, by and among the Managing Member, Brian J. Roers, an individual, as the preexisting non-managing member, Alliant Credit Facility ALP IV, LLC, a Florida limited liability company, as the administrative member, and the Tax Credit Investor.

“Guarantors” means, jointly and severally, Roers Companies LLC and Roers Companies Project Holdings LLC, together with their respective heirs, executors, personal and legal representatives and permitted successors and assigns.

“Guarantor Documents” means, collectively, the Guaranty of Recourse Obligations to be dated as of June 1, 2023, from the Guarantors for the benefit of the Trustee, the Guaranty of Completion to be dated as of June 1, 2023 from the Guarantors for the benefit of the Trustee, the Guaranty of Debt Service and Stabilization and the Environmental Indemnity.

“Guaranty of Debt Service and Stabilization” means the Guaranty of Debt Service and Stabilization to be dated as of as of June 1, 2023 from the Borrower and the Guarantors for the benefit of the Trustee

“Holder” means the registered owner of a Bond and any beneficial owner thereof, as applicable.

“Indenture” means that certain Indenture of Trust to be dated as of June 1, 2023, between the Issuer and the Trustee.

“Issuer” means City of Fridley, Minnesota, a municipal corporation and political subdivision organized and existing under the laws of the State, together with its successors and assigns.

“Issuer Assignment” means, collectively, the Issuer’s endorsement of the Notes and that certain Assignment of Mortgage to be dated as of June 1, 2023, from the Issuer to the Trustee.

“Issuer Covered Portion of LOM” means the statements and information contained in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum under the captions “THE ISSUER” and “LITIGATION – The Issuer.”

“Issuer Documents” means, collectively, the Indenture, the Loan Agreement, the Regulatory Agreement, the Tax Certificate, the Issuer Assignment and this Agreement.

“Legal Requirements” means all statutes, codes, laws, ordinances, regulations, rules, policies, or other federal, state, local and municipal requirements of any governmental authority whether now or hereafter enacted or adopted, and all judgments, decrees, injunctions, writs, orders or like action of an arbitrator or a court or other governmental authority of competent jurisdiction (including those pertaining to health, safety or the environment).

“Limited Offering Memorandum” means the Limited Offering Memorandum dated the date of this Agreement related to the Bonds, including the cover pages and Appendices thereto.

“Indenture” means that certain Indenture of Trust to be dated as of June 1, 2023, between the Issuer and the Trustee.

“MSRB” means the Municipal Securities Rulemaking Board or any successor.

“Mortgage” means the security instrument entitled Mortgage, Security Agreement, Assignment of Rents and Fixture Filing to be dated as of June 1, 2023, from the Borrower to the Issuer and assigned to the Trustee, with respect to the Series 2023A Bonds.

“**Notes**” means the promissory notes of the Borrower to be dated the date of issuance of the Bonds from the Borrower to the Issuer and endorsed to the Trustee.

“**Preliminary Limited Offering Memorandum**” means the Preliminary Limited Offering Memorandum relating to the Bonds (including the cover pages and appendices), dated [____], 2023.

“**Project**” means the land and multifamily residential housing facility to consist of a total of approximately 169 units with related amenities and site improvements and related personal property and equipment to be located in Fridley, Minnesota, known as Moon Plaza Apartments, the acquisition, construction and equipping of which are being financed with the proceeds of the Bonds.

“**Property Manager**” means Roers Residential LLC, a Minnesota limited liability company.

“**Purchase Price**” of the Bonds means the aggregate purchase price of the Bonds, as set forth in Exhibit B hereto.

“**Redevelopment Agreement**” means the Contract for Private Redevelopment, dated April 6, 2023 by and between the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, a political subdivision of the State of Minnesota organized under the Constitution and laws of the State of Minnesota and the Borrower.

“**Regulatory Agreement**” means the Regulatory Agreement and Declaration of Restrictive Covenants, to be dated as of June 1, 2023, among the Issuer, the Borrower and the Trustee, related to the Project.

“**Related Financing**” means the financing for the Project, in addition to the financing to be provided by the proceeds of the Bonds, to be obtained by the Borrower as contemplated by and referenced in the Limited Offering Memorandum, including (a) equity capital contributions by the Tax Credit Investor [and (b) certain subordinate loans and funds from _____].

“**Remarketing Agreement**” means that certain Remarketing Agreement to be dated as of June 1, 2023, between the Borrower and Piper Sandler & Co., as remarketing agent.

“**Replacement Reserve Agreement**” means that certain Replacement Reserve and Security Agreement to be dated as of June 1, 2023, between the Borrower and the Trustee.

“**Rule 15c2-12**” means Rule 15c2-12 promulgated by the SEC under the 1934 Act.

“**SEC**” means the Securities and Exchange Commission of the United States.

“**Series 2023A Bonds**” means the City of Fridley, Minnesota Multifamily Housing Revenue Bonds (Moon Plaza Apartments), Series 2023A, in the original aggregate principal amount of \$[PAR A].

“**Series 2023B Bonds**” means the City of Fridley, Minnesota Multifamily Housing Revenue Bonds (Moon Plaza Apartments), Taxable Series 2023B in the original aggregate principal amount of \$[PAR B].

“**Series 2023C Bonds**” means the City of Fridley, Minnesota Multifamily Housing Revenue Bonds (Moon Plaza Apartments), Taxable Series 2023C in the original aggregate principal amount of \$[PAR C].

“**State**” means the State of Minnesota.

“Subordinate TIF Mortgage” means the security instrument entitled Subordinate Mortgage, Security Agreement, Assignment of Rents and Fixture Filing to be dated as of June 1, 2023, from the Borrower to the Issuer and assigned to the Trustee, with respect to the Series 2023C Bonds.

“Tax Certificate” means the Tax Certificate of the Borrower and the Arbitrage Certificate of the Issuer, each dated the Closing Date, with respect to the requirements of the Code applicable to the tax-exempt status of the Bonds, including facts, estimates and circumstances and reasonable expectations pertaining to Section 148 of the Code to support the conclusion that, among other things, none of the Bonds will be an “arbitrage bond” and respecting certain tax matters as may be reasonably required by Bond Counsel to enable it to give its opinion.

“Tax Credit Investor” means Alliant Credit Facility IV, LLC, a Florida limited liability company, and its successors and assigns in such capacity pursuant to the operating agreement of the Borrower.

“Termination Event” means Termination Event as defined in Section 10.1 hereof.

“TIF Agreement” means the Contract for Private Development, dated April 6, 2023, between the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota and the Borrower with respect to the reimbursement of certain costs to be paid by the Borrower for the performance and construction of certain public improvements, qualified site improvements and relocation costs associated with the Project, as further described therein.

“TIF Assignment” means the Pledge and Assignment of Tax Increment Financing Documents to be dated as of June 1, 2023, by the Borrower in favor of the Trustee.

“Title Company” means the title insurance company insuring the lien of the Mortgage on the Closing Date, together with any successor title company [approved by the Bondholder Representative].

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association duly organized and validly existing under the laws of the United States of America, or its successors or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“Trustee Documents” means the Indenture, the Loan Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, [the Disbursing Agreement,] and all other agreements, documents and certificates as may be required to be executed and delivered by the Trustee or the Dissemination Agent to carry out, give effect to, and consummate the transactions contemplated by this Agreement and the other Trustee Documents.

“Underwriter” means Piper Sandler & Co., or its designee or nominee, together with its respective permitted successors and assigns hereunder.

“Underwriter’s Fee” has the meaning provided in Section 11.

EXHIBIT B**TERMS OF BONDS**

[\$[PAR A]]
City of Fridley, Minnesota
Multifamily Housing Revenue Bonds
(Moon Plaza Apartments)
Series 2023A

<u>Type</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
Term	_____ 1, 202____	\$_____	_____%	_____%

[\$[PAR B]]
City of Fridley, Minnesota
Multifamily Housing Revenue Bonds
(Moon Plaza Apartments)
Taxable Series 2023B

<u>Type</u>	<u>Mandatory Tender Date</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
Term	_____ 1, 20__	_____ 1, 20__	\$_____	_____% ¹	_____%

¹ To the Initial Mandatory Tender Date; thereafter as provided in the Indenture

[\$[PAR C]]
City of Fridley, Minnesota
Multifamily Housing Revenue Bonds
(Moon Plaza Apartments)
Taxable Series 2023C

<u>Type</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
Term	_____ 1, 202____	\$_____	_____%	_____%

Form of the Bonds: Fully registered Bonds without coupons in the denominations set forth in the Indenture.

Date of the Bonds: Closing Date

Interest Payment Dates: [] 1 and [] 1, commencing
[] 1, 20__

Redemption Provisions: As provided in the Indenture

EXHIBIT C
CERTIFICATE AS TO ISSUE PRICE

[To be provided by Bond Counsel]

EXHIBIT D

**FORM(S) OF OPINION(S) OF COUNSEL TO THE BORROWER, THE MANAGING
MEMBER, THE GUARANTORS AND THE DEVELOPER**

[To be provided by Counsel to Borrower, Managing Member, Guarantors and Developer]

EXHIBIT E
FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[To be provided by Bond Counsel]

DMFIRM #407831009 v2



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council Meeting

Submitted By: Melissa Moore, City Clerk/Communications Manager
 Ryan George, Deputy Director of Public Safety
 Beth Kondrick, Deputy City Clerk

Title

Interim Ordinance No. 1408, Authorizing a Study and Imposing a Moratorium on the Sale of Cannabinoid Products (Second Reading)

Background

On August 1 the HF100/SF73, also known as the Cannabis Act, will become State law. In anticipation of this change, staff have presented the Fridley City Council (Council) with various options to anticipate this change and regulate related products as prudently as possible.

This proposed moratorium would apply to the sale of products that contain more than a trace amount of tetrahydrocannabinol (THC). A product is considered to have no more than a trace amount of THC if the manufacturer is not required by any State or Federal law to identify the amount of any THC on the product label or the product label indicates the product contains less than 0.3% THC. Based on the feedback from the Council at the May 22 meeting, the ordinance was modified so that it will not apply to CBD products that contain trace amounts of THC.

Staff recommend placing a moratorium on the retail sale of cannabinoid products to allow for more time to determine what, if any additional licensing and/or regulations of these products the City would like to pursue. This would not include the selling of products containing THC related to the Medical Cannabis Program as administrated by the Minnesota Department of Health.

Other cities in the metropolitan area who have enacted moratoria related to cannabinoid products include White Bear Lake, Cottage Grove, Maple Grove, Plymouth, Richfield, Ramsey and Arden Hills. Cities who do not have a moratorium will likely be proposing them in the coming month or will wait until the new legislation is enacted August 1 and then do so then. Cities who have already created licensing for various cannabinoid products will need to amend their codes to adapt to the new State law.

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

If the Council approves the second reading of this interim ordinance, a summary of the ordinance will be published in the June 15 edition of the Official Publication and become effective on June 30, 2023. In July staff will establish a working group to study the business licensing and zoning issues associated with the sale of cannabinoid products and make regular updates to the City Manager. Staff anticipate offering an update on process and findings to the Council in December.

Financial Impact

None.

Recommendation

Staff recommend the Council conduct the second reading and adoption of Interim Ordinance No. 1408.

Staff recommends the approval of Summary Interim Ordinance No. 1408 for publication.

Focus on Fridley Strategic Alignment

☐ Vibrant Neighborhoods & Places	☐ Community Identity & Relationship Building
☐ Financial Stability & Commercial Prosperity	☒ Public Safety & Environmental Stewardship
☐ Organizational Excellence	

Attachments and Other Resources

- Interim Ordinance No. 1408
- Summary Interim Ordinance No. 1408

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Interim Ordinance No. 1408

Authorizing a Study and Imposing a Moratorium on the Sale of Cannabinoid Products

The City Council of the City of Fridley does ordain, after review, examination and staff recommendation that a moratorium on cannabinoid products be enacted as follows:

Section 1. Purpose

The Fridley City Council (Council) finds that an interim ordinance placing a moratorium on the retail sale of cannabinoids is necessary to protect the health, safety general welfare of the citizens of the City of Fridley (City).

The City further finds that an ordinance establishing a moratorium on the retail sale of cannabinoids will allow the City time to study the issue and determine what, if any, additional licensing and/or regulations for these cannabinoid products are appropriate.

Section 2. Definitions

Cannabinoids: any product containing tetrahydrocannabinol (THC), tetrahydrocannabinol acetate (THC-O), Tetrahydrocannabivarin (THC-V), hexahydrocannabinol (HHC), tetrahydrocannabiphorol (THC-P or THC-Heptyl), tetrahydrocannabioctyl (THCjd), tetrahydrocannabihexol (THC-H), and cannabinol (CBN). This term excludes products that are not intended to be eaten or consumed by humans or that are marketed as being a cannabidiol (CBD) product which contains less than ~~0.1 percent~~ 0.3% of any tetrahydrocannabinol (THC) by dry weight.

Trace amount: a product that contains no more than a trace amount of THC if the manufacturer is not required by any State or Federal law to identify the amount of any tetrahydrocannabinol on the product label or the product label indicates the product contains less than ~~0.1 milligrams~~ 0.3% of any tetrahydrocannabinol by dry weight.

Section 3. Legislative Findings

1. There is a great deal of uncertainty regarding the effect of Minnesota Laws 2022, Chapter 98 amending M.S. § 151.72 (Act) to allow the sale of certain cannabinoid products.
2. Because the proposal to allow the sale of cannabinoids received little publicity until the Act went into effect on July 1, 2022, the City did not have an opportunity to study and consider the potential impacts of the Act on the City. Nor did the Council have sufficient time to engage in policy discussions regarding the regulations the Council may elect to impose on the sale of cannabinoids and now wishes to do so to ensure responsible and adequate regulations are implemented.

3. The Act authorizes the Minnesota Board of Pharmacy to enforce the Act, but the Act does not provide for any licensing of manufacturers or of those who sell cannabinoids. The Act is also silent regarding the enactment of local regulations related to cannabinoids.

4. The Legislature did not expressly prohibit or limit local regulations, and the regulations established in the Act clearly do not constitute the Legislature having occupied the field of regulation regarding the sale of cannabinoids.

5. The Council finds the uncertainties associated with sale of cannabinoids, and the options for local regulation compels the need for a study to develop information the Council can rely on as it engages in policy discussions related to potential regulation of cannabinoids through the adoption of licensing and zoning controls.

6. Pursuant to M.S. § 462.355, subd. 4(a), the Council is authorized to adopt an interim ordinance "to regulate, restrict, or prohibit any use...within the jurisdiction or a portion thereof for a period not to exceed one year from the date it is effective."

7. The Council is also authorized as part of its general police powers to adopt business licensing requirements related to the sale of cannabinoids.

8. The Minnesota Supreme Court in *Almquist v. Town of Marshan*, 245 N.W.2d 819 (Minn. 1976) upheld the enactment of a moratorium despite the lack of express statutory authority as being a power inherent in a broad legislative grant of power to municipalities. In most cases, the enactment of business licensing requirements is based on a city's police powers, which is the broadest grant of power to cities. Inherent in that broad grant of authority is the power to temporarily place a moratorium on a business activity to study and potentially implement licensing regulations on that business activity.

9. There are both business licensing and zoning issues associated with the sale of cannabinoids that the Council determines it needs time to study in order to consider the development and adoption of appropriate local regulations. In order to protect the planning process and the health, safety, and welfare of the residents while the City conducts its study and the Council engages in policy discussions regarding possible regulations, the Council determines it is in the best interests of the City to impose a temporary moratorium on the sale of cannabinoids.

Section 4. Study

City staff will conduct a study regarding cannabinoids and provide the Council a report on the potential regulations of such products. The report must include the staff's recommendations on whether the Council should adopt regulations and, if so, the recommended types of regulations. The study will consider, but is not limited to, the following:

1. The potential impacts of the sale of cannabinoids within the City;

2. Licensing the sale of cannabinoids and related regulations; and
3. Zoning regulations related to the sale, manufacture, and distribution of cannabinoids as uses within the City.

Section 5. Moratorium

A moratorium is hereby imposed to prohibit any business, person, or entity from offering for sale or selling cannabinoids to the public within the jurisdictional boundaries of the City. The City will not accept, process, or act on any application, site plan, building permit, or other zoning approval for a business proposing to engage in the sale of cannabinoids.

Section 6. Exceptions

This moratorium does not apply to the selling of products containing THC related to the Medical Cannabis Program as administered by the Minnesota Department of Health, provided that such activity is done in accordance with the regulations and laws of Minnesota regarding Medical Cannabis.

Section 7. Violations

During the term of the moratorium, it is a violation of this Ordinance for any business, person, or entity to offer for sale, or to sell cannabinoid products within the City.

Section 8. Enforcement

A violation of this Ordinance is a misdemeanor. In addition, the City may enforce this Ordinance by mandamus, injunction, other appropriate civil remedy in any court of competent jurisdiction, or through the City's administrative penalties program under Section 203.05 of the Fridley City Code (Code).

Section 9. Severability

Every section, provision, and part of this Ordinance is declared severable from every other section, provision, and part of this Ordinance. If any section, provision, or part of this Ordinance is held to be invalid by a court of competent jurisdiction, such judgment will not invalidate any other section, provision, or part of this Ordinance.

Section 10. Effective Date and Term

This Ordinance will have a term of 12 months. This Ordinance will remain in effect until June 30, 2024, until it is expressly repealed by the Council or until the effective date of an ordinance amending the Code to address the sale of cannabinoid products, whichever occurs first.

Section 11. Notice

This Ordinance has been published to clearly inform the public of the intent and effect of the Council. A copy of this Ordinance is available for inspection by any person during regular business hours at the office of the City Clerk at Fridley City Hall (7071 University Ave N.E.).

Passed and adopted by the City Council of the City of Fridley the 12th day of June, 2023.

Scott J. Lund, Mayor

Attest:

Melissa Moore, City Clerk

First reading: May 22, 2023

Second reading: June 12, 2023

Publication: June 15, 2023

City of Fridley
Summary Interim Ordinance No. 1408

Authorizing a Study and Imposing a Moratorium on the Sale of Cannabinoid Products

The City of Fridley does ordain, after review, examination and staff recommendation that a moratorium on cannabinoid products be enacted. A summary of the moratorium made by Interim Ordinance No. 1408 is as follows:

Section one of the ordinance declares that the Fridley City Council (Council) finds that a moratorium on the retail sale of cannabinoid products is necessary to protect the health, safety and welfare of citizens. Section two defines "cannabinoids" and "trace amount." Section three summarizes the State legislature's changes to Minnesota Statute § 151.72 to allow for the sale of certain cannabinoid products and summarizes the Council's authority to enact such a moratorium pursuant to State law. Section four authorizes a study of the issue to gauge impacts to the City, licensing and business regulations and zoning regulations. Section five imposes a moratorium. Section six provides exceptions to the moratorium for business selling products related to the Medical Cannabis Program. Section seven declares it a violation of the ordinance for any business or person to sell cannabinoids within the City. Section eight declares any violation of the ordinance is a misdemeanor. Section nine declares every section of the ordinance to be separate from any other section. Section 10 establishes a 12-month term for the moratorium, which will expire June 30, 2024, or sooner. Section 11 declares that the ordinance was properly notices to the public as required by State law and the City Charter.

Ordinance No. 1408 was passed and adopted by the City Council of the City of Fridley on June 12, 2023. The full text of the Ordinance is available on the City website or for inspection by any person during regular office hours at the Office of the City Clerk.



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council Meeting

Submitted By: Melissa Moore, City Clerk/Communications Manager

Stacy Stromberg, Planning Manager

James Lange, Fire Marshal

Title

Ordinance No. 1409, Amending the Fridley City Code to Add Chapter 35, Mobile Food Units, Amend Chapter 209, Fees and Repeal Chapter 216, Street Vending

Background

In 2021 staff began working on drafting a chapter of the Fridley City Code (Code) that addresses Mobile Food Units, frequently known as “food trucks.” The popularity of such services has brought an increase in inquiries regarding the City’s rules and regulations. A growing number of cities in the metro area have begun regulating these activities, mainly to ensure compliance with County health regulations for the preparation and handling of food and compliance with State and local fire inspection requirements. Without such a license, the City has minimal regulatory authority to enforce health, fire, or other considerations such as the location of the operation and impact to the surrounding community.

The attached draft proposes to add a new chapter to the Code. The chapter broadly defines a “Mobile Food Unit” as a vehicle that offers food or beverage service. The chapter then offers more specific definitions of “Food Truck” as a stationary vehicle in which food is stored, cooked, or prepared, and an “Ice Cream Truck” is a vehicle that sells pre-packaged ice cream (or similar items) while travelling around the City.

The chapter accomplishes several things for the City:

1. Minnesota Rules 4626.0015 establishes State-wide regulations to safeguard public health and ensure that food is safe for human consumption. The Minnesota Department of Health and Anoka County regulate food establishments by establishing licensure and inspection requirements. This chapter of the Code requires that applicants follow all State and County laws and requires compliance with some of the City’s distinct regulations pertaining to fire inspections, prohibited activities (e.g., excessive noise or signage), hours of operation, protecting the right-of-way, etc.
2. The chapter creates a Food Truck License and an Ice Cream Truck License so that the City can ensure such business activities are done in a safe and efficient manner. These licenses, as proposed, are annual licenses following the City’s typical renewal cadence (effective May 1 through April 30 of the following year).

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

3. The ordinance, when presented to the Council, will recommend Chapter 16, Street Vending, be repealed. This is because the contents of that chapter are largely integrated into the Mobile Food Units chapter.

4. Establishes the fees the City will charge for the two new licenses in Chapter 209, Fees:

- (a) \$50 for a Food Truck License
- (b) \$100 for a Fire Safety Inspection (required for food trucks only)
- (c) \$75 for an Ice Cream Truck License.

Recommendation

Staff recommend the Council approve the first reading of Ordinance No. 1409.

Focus on Fridley Strategic Alignment

☒ Vibrant Neighborhoods & Places	☐ Community Identity & Relationship Building
☐ Financial Stability & Commercial Prosperity	☒ Public Safety & Environmental Stewardship
☒ Organizational Excellence	

Attachments and Other Resources

- Ordinance No. 1409

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Ordinance No. 1409

Amending the Fridley City Code to Add Chapter 35, Mobile Food Units, Amend Chapter 209, Fees and Repeal Chapter 216, Street Vending

The City Council of the City of Fridley does ordain, after review, examination and staff recommendation that the Fridley City Code be amended as follows:

Section 1

That the Fridley City Code be hereby amended by adding Chapter 35, Mobile Food Units as follows:

Fridley City Code Chapter 35 Mobile Food Units

35.01 Purpose

The purpose of this Chapter is to protect the health, safety, and welfare of the community through the establishment of standards for mobile food units to operate in a safe and effective manner in the City of Fridley (City).

35.02 Definitions

Mobile Food Unit: A food or beverage service that is a mounted vehicle, either motorized or trailer, and is readily movable without disassembling for transport to another location. The two distinct types of Mobile Food Units are detailed below:

1. Food Truck: A self-contained unit in which food is stored, cooked, or prepared for direct sale to the consumer while parked or stationary in one location.
2. Ice Cream Truck: A motor vehicle utilized as the point of retail sale of pre-packaged ice cream, frozen yogurt, frozen custard, flavored frozen water, or similar frozen dessert products, while travelling within the City.

35.03 Food Truck License Required

1. All operators of food trucks must obtain a license to operate within the City.
2. No person may operate a food truck within the City without a valid license from Anoka County.
3. No license issued under this Chapter may be transferred to any other person or business.
4. A license issued under this Chapter becomes effective from the date on which the license is issued through April 30 of the subsequent year.

5. A valid license must be openly displayed at all times in the food truck when it is within the City.

6. For the purposes of this Chapter, any food truck equipped with appliances that produce smoke or grease-laden vapors must submit to a Fire Safety Inspection performed by the Fire Division, pursuant to the Mobile Food Preparation Vehicles Chapter of the Minnesota State Fire Code.

35.04 Food Truck License Application

1. No person may operate a food truck within the City without a valid license from the City, which includes the following requirements:

(a) The full legal name of the owner of the food truck;

(b) The full legal name of the operator of the food truck, other commonly known names the operator may use, the operator's date of birth, and a copy of their driver's license;

(c) A list of names of all persons working in the food truck;

(d) A description of the nature of the business and the goods to be sold out of the food truck;

(e) A description of the food truck and valid license plate number for any vehicle associated with a City food truck license;

(f) The name, address and contact information for the restaurant with which the food truck is affiliated, if applicable;

(g) A complete Background Investigation Consent Form;

(h) A Certificate of Insurance proving commercial general liability coverage of not less than \$1 million for each occurrence, or a \$2 million annual aggregate;

(i) Proof of workers' compensation insurance, or evidence of exemption, is required;

(j) A copy of the applicant's State sales tax identification number, with a complete State SP:C1 Form; and

(k) Written consent of each private property owner from which sales from a food truck will be conducted.

(l) A valid permit pursuant to the Rights-of-Way Management Chapter of the Code, if applicable.

35.05 Food Truck Allowed Activities

1. Mobile food trucks are allowed under the following circumstances:

- (a) In conjunction with a private party or event located at a City or County park, provided the renter of the park has a valid park rental permit;
- (b) In conjunction with an event sponsored by the City taking place on City-owned property with written consent of the City Manager or their designee;
- (c) In conjunction with a school-sponsored event taking place on school-owned property with written consent of the school official; or
- (d) In conjunction with a private event, on private property with written consent from the property owner.

35.06 Food Truck Prohibited Activities

1. No mobile food truck operators may conduct business in the following manner:

- (a) Calling attention to their business or the items to be sold by means of blowing any horn or whistle, ringing any bell, yelling, or by making any other noise that would disturb the peace and enjoyment of the general public.
- (b) Obstructing the free flow of traffic, either vehicular or pedestrian, on any street, sidewalk, alleyway, or other public right-of-way. An operator may not park a food truck on any public right-of-way or in residential zoning district except during events permitted under this Chapter and with a valid license.
- (c) Conducting business in a way as to create a threat to the health, safety, and welfare of any specific individual or the general public.
- (d) Conducting business before 7:00 a.m. or after 10:00 p.m.
- (e) Failing to provide license, registration, or identification when requested.
- (f) Using the registration of another person or business.
- (g) Using false or misleading statements about the products or services being sold, including untrue statements of endorsement. No food truck operator may claim to have the endorsement of the City solely based on the City having issued a license to that person.
- (h) Remaining on the property of another when requested to leave.
- (i) Operating their business in any manner that a reasonable person would find obscene, threatening, intimidating or abusive.
- (j) Operating on the same property more than 21 days in a 60-day period.

(k) Disposing gray water into any City stormwater drain. Gray water must be drained daily and in an appropriate manner.

(l) Failing to provide refuse containers for customers. The operator of a food truck is responsible for removing all refuse associated with the food truck operations.

(m) No overnight storage of a food truck is permitted.

35.07 Food Truck Signs

1. A licensed food truck is not required to obtain a Sign Permit from the City. However, no additional signage is permitted beyond that which is affixed to the food truck unless it meets the following requirements:

(a) One single sandwich board style sign is permitted per food truck;

(b) The maximum sign size is eight square feet;

(c) The sign must be placed on the ground and be within 10 feet of the food truck;

(d) The sign must not be placed in a manner that obstructs passage upon any sidewalk;

(e) The sign must not be placed within the improved travel surface of the public right-of-way.

35.08 Ice Cream Truck License Required

1. All operators of ice cream trucks must obtain a license to operate within the City.

2. No license issued under this Chapter may be transferred to any other person.

3. A license issued under this Chapter becomes effective from the date on which the license is issued through April 30.

4. A valid license must be openly displayed at all times when the food truck is within the City.

35.09 Ice Cream Truck License Application

1. No person may operate an ice cream truck within the City without a valid license from the City, which includes the following requirements:

(a) The full legal name of the owner of the ice cream truck;

(b) The full legal name of the operator of the ice cream truck, other commonly known names the operator may use, the operator's date of birth, and a copy of their driver's license;

- (c) A description of the types of confections to be sold out of the ice cream truck;
- (d) A description and valid license plate number for any vehicle associated with the license;
- (e) A completed Background Investigation Consent Form;
- (f) A Certificate of Insurance proving commercial general liability coverage of not less than \$1 million for each occurrence, or \$2 million annual aggregate is required;
- (g) Proof of workers' compensation insurance, or evidence of exemption, is required;
- (h) A copy of the applicant's State sales tax identification number, with a complete State SP:C1 Form;

35.10 Ice Cream Truck Routes and Hours of Operation

1. Operations may be carried on only between the hours of 10:00 a.m. and 8:00 p.m.
2. The proposed area in which the licensed vehicle will travel each day while within the City.
3. The licensee must only operate on streets as approved by the City Manager or their designee. Changes to a proposed area or route must be submitted to, and approved by, the City Manager or their designee at least 10 days in advance of making any change.
4. At no time, may the licensee operate the ice cream truck outside of the area or route approved by the City Manager or their designee. This section does not apply to emergency situations or travel to and from the approved route.

35.11 Ice Cream Truck Operations

1. When engaged in any vending operations, the ice cream truck must be parked as close to the street curb as practical. All vending must be done only at the curb side of the ice cream truck.
2. Ice cream trucks must not be parked in a manner that encourages unsafe pedestrian behavior, including but not limited to, encouraging the unsafe crossing of busy thoroughfares.
3. Ice cream trucks must be stopped or parked so as to not obstruct or cause a hazard to traffic or create danger of injury to customers or the general public.
4. All ice cream trucks must be equipped with flashing lights on both the front and rear of the vehicle, which must be clearly visible to oncoming traffic in full daylight.
5. No ice cream truck may be moved backward if:
 - (a) There is a substantial number of people congregated near the ice cream truck.

(b) The ice cream truck operator has reason to believe there are minors or persons with disabilities near the truck.

(c) Movement in such direction threatens injury to any person in or near the ice cream truck.

6. Ice cream trucks must carry signaling or warning devices that enable the attendant to give adequate warnings to pedestrians or other vehicles on the street.

7. Except as permitted by this Chapter, while transiting within their designated area or route, no ice cream truck may operate any device that produces any noise or sound for the purpose of attracting persons to the ice cream truck.

8. Ice cream trucks may sound a manually operated bell in the areas of and the hours established in this Chapter, which produces a noise level measured at 50 feet from the source, no greater than 65 decibels, as defined in the Noise Chapter of the Fridley City Code (Code).

9. Ice cream trucks may not operate within one block of any school zone in the City.

35.12 Suspension, Revocation, or Grounds for Denial

1. Any license issued under this Chapter may be suspended, revoked, or denied renewal by the City Manager or their designee. Grounds include:

(a) Subsequent knowledge by the City of fraud, misrepresentation, or incorrect statements provided by an applicant on the application form;

(b) Fraud, misrepresentation, or false statements in the application process;

(c) Engaging in any prohibited activity as provided under of this Chapter; or

(d) Violation of any other provision of this Chapter or Code, or any provision of State law.

2. The suspension or revocation of a license will apply to the owner of the mobile food unit, the operator of the mobile food unit (if different) and any other person authorized to work in the mobile food unit.

3. Prior to suspending or revoking any license issued under this Chapter, the City will provide the licensee with written notice of the alleged violations and inform them of their right to a hearing on the alleged violation. Notice will be delivered in person or by mail to the permanent residential address listed on the license application, or if no residential address is listed, to the business address provided on the license application.

4. Any person contesting a license suspension or revocation or other decision by the City associated with violations of this Chapter may file an appeal pursuant to the Appeals and Administrative Citations Chapter of the Code.

5. Within 14 business days of a determination by the Hearing Examiner, any person contesting that decision may appeal to the Council by submitting a written appeal to the City Clerk. At its next regular meeting following the Hearing Examiner's decision, the Council will affirm, repeal, or modify that decision.

6. If, in the discretion of the City Manager or their designee, imminent harm to the health or safety of the public may occur because of the actions of any mobile food unit operations licensed under this Chapter, the City Manager or their designee, may immediately suspend the license by notifying the licensee in writing.

35.13 Fees

The fees for this Chapter are set in the Fees Chapter of the Code.

Section 2

That the Fridley City Code be hereby amended by updating Chapter 209, Fees as follows:

Fridley City Code Chapter 209 Fees

209.12 Fees

5. Licensing Fees

Code	Subject	Fee
308	Adult Entertainment Establishment	\$400
	– Investigation Fee	\$400
17	Auction	
	– Weekly permit	\$30
	– Annual permit	\$150
300	Beekeeping	
	– Initial fee	\$100
	– Annual renewal fee	\$25
27	Billiards	
	– First table	\$40
	– Each additional table	\$10
15	Bowling Alleys	
	– Annual license	\$40
	– Per lane	\$10
28	Carnivals	
	– Application fee	\$75
	– Each day	\$75
	– Required cash deposit or bond	\$3,000
21	Christmas Tree Lots	
	– Annual license fee	\$200
	– Deposit	\$100

300	Dogs – Lifetime license – Duplicate license – Impound fee – Annual Dangerous Dog license – Potentially Dangerous Dog license	\$25 \$5 \$25 \$500 \$500
702	Drive-in Theaters	\$400
607	Entertainment	\$85
32	Food Establishment – Business License	\$45
32	Food Temporary – Business License	\$30
25	Golf Course, Driving Range	\$30
319	Haulers Mixed Municipal Solid Waste License (Garbage Truck), Yard Waste License, Organics License, Recycling License	\$100 for first truck and \$40 each additional truck
24	Junk Yards	\$350
609	Liquor, Caterer – Annual Caterer Registration – Event Notification Permit (per event)	\$100 \$25
604	Liquor, Consumption and Display – Annual State permit – One-day City permit	\$300 \$25
603	Liquor, On-Sale Intoxicating Holiday Endorsement	\$100
603	Liquor, Lawful Gambling Endorsement	\$300
610	Liquor Manufacturers/Investigative Fee – Individual – Partnership/Corporation – Alteration of Business – Change of Officers – On-Sale Brewer/Distillery Taproom License – Off-Sale Brewer/Distillery Growler License	\$200 \$400 \$100 \$25 \$600 \$300
603	Liquor, On-Sale Intoxicating – No entertainment (a) 0-3,000 square feet (b) 3,001-6,000 square feet (c) Over 6,000 square feet – With entertainment or dancing (a) 0-3,000 square feet (b) 3,001-6,000 square feet (c) Over 6,000 square feet	\$6,000 \$7,000 \$8,000 \$7,000 \$8,000 \$9,000
603	Liquor, On-Sale Intoxicating Initial Investigative Fee	

	– Individual	\$200
	– Corporation or partnership	\$400
603	Liquor, On-Sale Sunday	\$200
603	Liquor, On-Sale Intoxicating Temporary one day only	\$25
602	– Liquor, 3.2% Malt Liquor Off-Sale	\$60
	– On-Sale	\$325
	– Holiday Endorsement	\$100
602	Liquor, 3.2% Malt Liquor, Initial Investigative Fee	
	– Individual	\$90
	– Corporation or partnership	\$180
602	Liquor, 3.2% Malt Liquor Temporary	\$60
603	Liquor, Wine	\$1,000
603	Liquor, Wine Investigative Initial Fee	
	– Individual	\$200
	– Corporation or partnership	\$400
605	Liquor, Bottle Club	
	– Annual permit	\$300
	– One day permit	\$25
606	Liquor, On-Sale Intoxicating Club	
	– Per club under 200 members	\$300
	– Per club of 201-500 members	\$500
	– Per club of 501-1,000 members	\$650
	– Per club of 1,001-2,000 members	\$800
	– Per club of 2,001-4,000 members	\$1000
	– Per club of 4,001-6,000 members	\$2,000
	– Per club of over 6,000 members	\$3,000
606	Liquor, On-Sale Club Holiday Endorsement	\$100
300	Livestock	
	– Initial fee	\$100
	– Annual review	\$25
603	Managerial License (Liquor)	\$10
125	Massage Therapy Business License	
	– Annual license	\$400
	– Business investigation fee for corporations or partnerships	\$400 (new) \$200 (renewal)
	– Business investigation fee for individual/sole proprietor	\$200 (new) \$100 (renewal)
125	Massage Therapist	
	– License Fee	\$50
	– Therapist Investigation Fee	\$25
22	Music Festivals	
	– Per day	\$700
	– Filing fee	\$100
35	Mobile Food Unit	

	– <u>Food Truck License</u> – <u>Food Truck Fire Safety Inspection</u> – <u>Ice Cream Truck License</u>	\$50 \$100 \$75
18	Motor Vehicle Body Repair Business	\$150
509	Motorized Vehicles Rental	\$50 per vehicle
300	Multiple Pet Location – License Fee – Renewal Fee – Impound Fee	\$100 \$25 \$25
300	Poultry – Initial fee – Annual renewal fee – Impound fee	\$100 \$25 \$25
220	Rental Housing Annual License – Single rental unit – Two rental units – Three rental units – Four rental unit – Five or more units License renewal late fee if more than seven days late License fee to reinstate after revocation or suspension License transfer fee License reinstatement fee for properties that were posted for not complying with correction orders or license renewals – 1-30 days – 31+ days Renting prior to obtaining a license Reinspection fee after second inspection – Single, duplex, triplex – Four or more units	\$100 \$150 \$210 \$270 \$270 plus \$12 per unit over four units 150% of the annual license fee 150% of the annual license fee \$25 \$250 \$500 125% of the annual license \$100 \$300
31	Pawn Shops – Annual license fee – Monthly transaction fee – Reporting failure penalty – Investigation fee	\$3,000 \$3 per transaction \$4 per transaction \$400

14	Peddlers/Solicitor	\$60 per peddler
23	Public Dance	\$75
13	Retail Gasoline Sales Private Gasoline Pump	\$60 \$30 per location
602, 603, 606	Social Skill Game Tournament Service Provider	\$100 annually
16	— Street Vending — Industrial/commercial — Residential – Both	\$50 \$70 \$100
12	Tobacco License	\$125
12	Tobacco Product Shop – License fee – Investigation fee	\$400 \$100
104	Tree Management License	\$150
19	Used Motor Vehicles License	\$150 per year

Section 3

That the Fridley City Code be hereby amended by repealing Chapter 16, Street Vending as follows:

FRIDLEY CITY CODE CHAPTER 16. STREET VENDING

~~16.01. LICENSE REQUIRED~~

~~Except under a license as provided herein, no person shall operate a vehicle in the City of Fridley for the purpose of dispensing or vending confections or other goods directly from a vehicle without a license to do so first being obtained, or contrary to the terms of such license. This Chapter does not apply, however, to any person using a vehicle for the delivery of goods or services directly to homes or establishments when the goods are taken by the operator of the vehicle onto private property for such delivery. (Ref. 183)~~

~~16.02. APPLICATION~~

~~The application for a license shall be made to the City Clerk and shall describe the vehicle or vehicles from which such vending operations are to be carried on, as well as the names and addresses of all persons interested in such business and its operation. The application shall also describe the types of confections or other goods which are to be sold from said vehicle and the areas of the City in which the business is proposed to be carried on. The application shall also set forth the names of the insurers providing liability coverage on the vehicle or vehicles to be used and the amount of the coverage carried. The application shall be accompanied by the annual license fee. If the application for a license is denied, the fee shall be refunded to the applicant.~~

~~16.03. ROUTES AND HOURS OF OPERATION~~

~~No person licensed under this Chapter shall carry on a vending operation upon any street or public place which is other than as provided under the terms of such license. Such operations may be carried on only between the hours of 10:00 a.m. and 4:30 p.m., and 6:00 p.m. to 8:00 p.m. in any area zoned commercial or industrial, and only between the hours of 1:00 P.M. and 4:30 p.m., and 6:30 to 8:00 p.m. in any area zoned residential or other than commercial or industrial. At least ten (10) days before the commencement of operations, the licensee shall file with the City for approval by the City Manager, the proposed area in which the vehicles so licensed will travel each day while within the City. The licensee shall at all times operate on streets only as are approved within such areas; and changes in the area shall be filed with the City manager at least ten (10) days in advance of making any change. If the City Manager shall deny use of any street within the area, the licensee may appeal the ruling of the City Manager to the City Council for determination. At no time, however, shall the licensee operate a vehicle on and over any street that is not approved. Only such streets within the area shall be approved as would minimize the danger of injury by hazards of traffic to persons who may be customers of such vehicle, and also as would minimize traffic difficulties which may arise out of the operation of the vehicle for such purposes. A vehicle may be licensed to operate exclusively in areas of the City zoned "Commercial" or "Industrial"; or it may be licensed to operate exclusively in areas zoned "Residential" or "Other than Commercial or Industrial"; or it may be licensed to operate in all areas of the City. No vehicle, however, shall be operated in any area of the City which is zoned different than that for which the same is licensed. In the absence of proof to the contrary, a vehicle parked or left standing on any street or public place is deemed to be there for business operations.~~

~~16.04. FEE~~

~~The annual license fee and expiration date shall be as provided in Chapter 11 of this Code.~~

~~16.05. SAFETY REQUIREMENTS~~

~~1. Insurance.~~

~~Every licensee shall maintain liability insurance with respect to the operation of any vehicle used in such business. The liability coverage of such insurance shall be in an amount of at least \$50,000 for single injuries and at least \$100,000 for each accident with respect to personal injuries, together with at least \$5,000 for property damage.~~

~~2. Parking.~~

~~When engaged in any vending operations, the vehicles used shall be parked at the curb of any street upon which the vehicle stands, and the vending shall be done only at the curb side of vehicle. When the vending is carried on near any school or other similar place, the vehicle used shall be parked at the curb side of the street nearest the school, or at a place next to such school or other similar public place as is safe and makes it reasonably unnecessary for a customer to cross a street or thoroughfare upon which there is traffic to reach such vehicle from the school or such other similar public place. At all times the vehicle used shall be stopped or parked only in such place as will not obstruct or cause a hazard to traffic and which creates no danger of injury to customers of the vehicle. Each vehicle shall be equipped with flashing lights on both the front and rear of the vehicle, which lights shall be clearly visible to oncoming traffic in full daylight.~~

~~3. Operators.~~

~~No vehicle used in such vending operation shall be moved backward if:~~

~~A. There is congregated a substantial number of people.~~

~~B. There can reasonably be expected in and about such vehicle persons of minor age, infirmity or disability.~~

~~C. Movement in such direction threatens injury to any person in and near such vehicle.~~

~~A vehicle operator shall at all times give adequate warnings to keep all persons clear of such vehicle while the same is in movement.~~

~~4. Warning.~~

~~The vehicle used shall carry such signaling or warning devices as will enable the attendant reasonably at all times to give adequate warnings as required herein. Except as permitted by Section 16.05.5, no vehicle or equipment shall operate any device that shall produce any noise or sound for the purposes of attracting persons to the vending truck. (Ref. 243)~~

~~5. Exception for Food/Beverage Vehicles.~~

~~Notwithstanding any other provision to the contrary, food/beverage vehicles may sound a manually operated bell, between the hours of 10:00 a.m. and 4:30 p.m., and 6:00 p.m. to 8:00 p.m. in any area zoned commercial or industrial, and only between the hours of 1:00 p.m. and 4:30 p.m., and 6:30 p.m. to 8:00 p.m. in any area zoned residential or other than commercial or industrial, which produces a noise level measured at a distance of 50 feet from, the source no greater than 65 decibels, as defined in Fridley City Code Chapter 124, "Noise". (Ref. 836)~~

~~16.06. ADDITIONAL REQUIREMENTS~~

~~All vehicles used for street vending shall be subject to the applicable requirements of Chapter 11 of this Code.~~

~~16.07. ADDITIONAL PENALTY~~

~~Any licensee who violates any provision of this Chapter or who drives or operates his or her vehicle in a careless and negligent fashion may, in addition to the usual penalties, have his or her license revoked after hearing before the City Council, upon reasonable notice.~~

~~16.08. PENALTIES~~

~~Any violation of this Chapter is a misdemeanor and is subject to all penalties provided for such violations under the provisions of Chapter 901 of this Code.~~

Passed and adopted by the City Council of the City of Fridley on this XX day of [Month], 2023.

Scott J. Lund - Mayor

Melissa Moore - City Clerk

First Reading: June 12, 2023

Second Reading:

Publication:



AGENDA REPORT

Meeting Date: June 12, 2023

Meeting Type: City Council

Submitted By: Joe Starks, Director of Finance/City Treasurer
Korrie Johnson, Assistant Finance Director

Title

Resolution No. 2023-61, Approving and Accepting the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ending December 31, 2022

Background

Pursuant to Minnesota Statute § 471.697 and City Charter § 7.11, the City Manager must submit to the City Council and the Office of the State Auditor (OSA) a complete financial report for the City of Fridley (City) for the preceding fiscal year. In order to satisfy these requirements, the City prepares the Annual Comprehensive Financial Report (ACFR) (Exhibit A) with the assistance of an external auditing firm, Redpath and Company (Redpath).

Consistent with these accounting regulations, Redpath audited the financial activities and statements of the City, which included a two-week, virtual site visit in April. As a result of this process, Redpath issued an unmodified or "clean" audit opinion, indicating the financial statements of the City are fairly presented and free of any material misstatement in accordance with Generally Accepted Accounting Principles (GAAP).

Redpath also reviewed other financial management practices of the City, such as contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. During this review, Redpath did not identify any areas of non-compliance. The attached Audit Management Letter (AML) summarizes of their audit results (Exhibit B).

Assuming the City Council approves and accepts the attached reports, staff will submit the ACFR to the OSA and publish a corresponding summary in the official publication as required by the City Charter. These documents will also be on file and available for public inspection in the City Clerk's Office.

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Financial Impact

None.

Recommendation

Staff recommend the approval of Resolution No. 2023-61.

Focus on Fridley Strategic Alignment

☐ Vibrant Neighborhoods & Places	☐ Community Identity & Relationship Building
☒ Financial Stability & Commercial Prosperity	☐ Public Safety & Environmental Stewardship
☐ Organizational Excellence	

Attachments and Other Resources

- Resolution No. 2023-61
- Exhibit A: Annual Comprehensive Finance Report for the Fiscal Year Ending December 31, 2021
- Exhibit B: Audit Management Letter

Vision Statement

We believe Fridley will be a safe, vibrant, friendly and stable home for families and businesses.

Resolution No. 2023-61**Approving and Accepting the Annual Comprehensive Financial Report for the Fiscal Year
Ending December 31, 2022**

Whereas, Minnesota Statute § 471.697 and City Charter § 7.11 require the City Manager to submit to the City Council and other parties a complete financial report for the City of Fridley (City) for the preceding fiscal year; and

Whereas, the City engaged the Redpath and Company to audit the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information of the City for the fiscal year ending December 31, 2022; and

Whereas, Redpath and Company conducted a site visit between April 3, 2023 and April 14, 2023 to complete the majority of the auditing process for the fiscal year ending December 31, 2022; and

Whereas, as a result of this process, Redpath and Company issued an unmodified or “clean” audit opinion, indicating the financial statements of the City are fairly presented and free on any material misstatement in accordance with Generally Accepted Accounting Principles (GAAP).

Therefore, be it resolved, that the City Council of the City of Fridley hereby approves and accepts the Comprehensive Annual Finance Report for the fiscal year ending December 31, 2022.

Passed and adopted by the City Council of the City of Fridley this 12th day of June, 2023.

Scott J. Lund – Mayor

Attest:

Melissa Moore – City Clerk



City of Fridley, Minnesota



Annual Comprehensive Financial Report For year end December 31, 2022

FridleyMN.gov/233/City-Financials



This page intentionally left blank

CITY OF FRIDLEY, MINNESOTA

Annual Comprehensive Financial Report

For Year End December 31, 2022



**Prepared by:
Finance Department**

**Joseph Starks
Finance Director**



This page intentionally left blank

CITY OF FRIDLEY, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022
TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
I. INTRODUCTORY SECTION		
Letter of Transmittal		3
Certificate of Achievement		11
Elected and Appointed Officials		13
City Administrative Organizational Structure		15
II. FINANCIAL SECTION		
Independent Auditor's Report		19
Management's Discussion and Analysis		25
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A-1	41
Statement of Activities	A-2	42
Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-3	44
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	A-4	46
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-5	49
Statement of Net Position - Proprietary Funds	A-6	50
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	A-7	52
Statement of Cash Flows - Proprietary Funds	A-8	54
Statement of Fiduciary Net Position - Fiduciary Funds	A-9	56
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	A-10	57
Notes to Financial Statements		59
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	B-1	102
Schedule of Changes in the Total OPEB Liability and Related Ratios	B-2	106
Schedule of Proportionate Share of Net Pension Liability - General Employees Retirement Fund	B-3	107
Schedule of Pension Contributions - General Employees Retirement Fund	B-4	108
Schedule of Proportionate Share of Net Pension Liability - Public Employees Police and Fire Fund	B-5	109
Schedule of Pension Contributions - Public Employees Police and Fire Fund	B-6	110
Notes to RSI		111

CITY OF FRIDLEY, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022
TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	C-1	118
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	C-2	119
Subcombining Balance Sheet - Nonmajor Special Revenue Funds	C-3	124
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	C-4	125
Subcombining Balance Sheet - Nonmajor Capital Project Funds	C-5	128
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	C-6	129
Special Revenue Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:		
Cable TV Fund	D-1	132
Solid Waste Abatement Fund	D-2	133
Police Activity Fund	D-3	134
Springbrook Nature Center Fund	D-4	135
Internal Service Funds:		
Combining Statement of Net Position	E-1	138
Combining Statement of Revenues, Expenses and Changes in Net Position	E-2	139
Combining Statement of Cash Flows	E-3	140
Housing and Redevelopment Authority (Component Unit):		
Balance Sheet - Governmental Funds	F-1	142
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	F-2	144
Subcombining Balance Sheet - Nonmajor Capital Project Funds	F-3	146
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	F-4	148
Custodial Funds:		
Combining Statement of Net Position - Fiduciary Funds	G-1	152
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds	G-2	153

CITY OF FRIDLEY, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022
TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
III. STATISTICAL SECTION (Unaudited)		
Financial Trends:		
Net Position by Component	Table 1	158
Changes in Net Position	Table 2	160
Fund Balances - Governmental Funds	Table 3	164
Changes in Fund Balances - Governmental Funds	Table 4	166
Revenue Capacity:		
Tax Capacity Value and Estimated Market Value of Taxable Property	Table 5	168
Direct and Overlapping Property Tax Capacity Rates	Table 6	170
Principal Property Taxpayers	Table 7	172
Property Tax Levies and Collections	Table 8	173
Debt Capacity:		
Ratios of Outstanding Debt by Type	Table 9	174
Direct and Overlapping Governmental Activities Debt	Table 10	175
Legal Debt Margin Information	Table 11	177
Pledged Revenue Coverage	Table 12	178
Demographic and Economic:		
Demographic and Economic Statistics	Table 13	180
Principal Employers	Table 14	181
Full-Time Equivalent City Government Employees by Function/Program	Table 15	182
Operating Information:		
Operating Indicators by Function/Program	Table 16	184
Capital Asset Statistics by Function/Program	Table 17	186



This page intentionally left blank

I. INTRODUCTORY SECTION



This page intentionally left blank

Fridley Civic Campus

7071 University Ave N.E. Fridley, MN 55432
763-571-3450 | FAX: 763-571-1287 | FridleyMN.gov

June 5, 2023

To the Citizens of the City of Fridley,
Mayor and Council Members

The Annual Comprehensive Financial Report (ACFR) of the City of Fridley, Minnesota (City), for the fiscal year ended December 31, 2022, is submitted herewith:

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The City believes that the data, as presented, is accurate in all material aspects. The data is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A may be found immediately following the report of the independent auditors.

All City funds, departments, commissions, and other organizations for which the City is financially accountable are presented within the ACFR. The City provides a full range of services to its citizens, including police and fire protection; water and sanitary sewer utilities; the construction and maintenance of streets and sidewalks; recreational facilities; commercial and residential real estate development coordination; and general administrative services. The Housing and Redevelopment Authority (HRA) is included in the reporting entity as a component unit of the City as the governing board is appointed by the City Council and because of the City's financial relationship with the HRA.

The organization, form and contents of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), the American Institute of Certified Public Accountants, the Minnesota Office of the State Auditor, the City Charter, the Fridley City Code and other applicable actions of the City Council.

PROFILE OF THE CITY

The City is a first-ring suburban community with a population of 29,590, according to the 2020 census. The City is located 10 minutes north of downtown Minneapolis and 25 minutes northwest of downtown St. Paul. Incorporated in July of 1949, the City covers about 11 square miles and is home to some of the most important industries in the world. An “industrial spine” around the rail corridor has served the City well and has provided the community with nearly as many jobs as the number of residents. The City is home to the largest number of employees in Anoka County.

LOCAL ECONOMY

The local economy continues to grow through an increase in new construction, redevelopment, and renovation. Unemployment in Minnesota rose slightly throughout 2022. Current unemployment as of February 2023 is still near historic lows at 3.0% and is lower than the national average of 3.6%. In 2022, Minnesota employers added just over 59,000 jobs which brought the total to just over 2.95 million jobs by year-end. The state is still below pre-pandemic employment levels but continues to recover from the COVID-19 recession which began in 2020. There are nearly twice as many open positions as available job seekers in Minnesota. While the Consumer Price Index (CPI) rose 8.3% on an annual basis through 2022, the current CPI of 6.0% (as of February 2023) is down from a multi-decade high of 9.1% in June of 2022. While there is optimism, inflation continues to be a worry for many as the cost of life’s necessities continues to far exceed the increase in wages.

In July, the City received its second payment of \$1,520,444 from the American Rescue Act (ARPA) funds bringing the total amount received to date at \$3,040,888. The City has decided to use all of the ARPA funds for Utility Infrastructure projects through 2024. By applying ARPA money to utility infrastructure projects, our community benefits twofold; by stabilizing utility rates for our residential and

commercial customers and by reducing the need for external debt issuances in the utility funds.

Fridley Liquor, the municipal liquor operation owned and operated by the City, saw a reduction in sales from historic levels in 2020 and 2021 that were driven largely by pandemic-related restrictions and closures to bars and restaurants. While sales were down, they are still in line with pre-pandemic levels. Gross sales totaled about \$6,500,000, a decrease of about 10.9% compared to 2021.

Based on preliminary data received from Anoka County for the January 2, 2023, assessment (unaudited), once again, the taxable market value of the City increased significantly in 2022, growing by about \$392,847,900, or 9.9%, compared to the prior year. The number of residential home sales decreased by about 14.9% over the same time period, largely due to rising interest rates. Additionally, the City experienced another strong year of real estate development, adding about \$41,769,100 of new market value to the community.

The estimated market value for many properties in the City increased with apartments up 34.4%, Commercial/Industrial up 17.5%, while residential values decreased 0.5% and the average sale price of a residential homestead decreased by 1.8% compared to the previous year. These increases in valuation are consistent with other cities located in the Minneapolis–St. Paul Metropolitan Statistical Area.

LONG-TERM FINANCIAL PLANNING

As a fully developed community, the City continues to experience certain financial challenges. In order to maintain affordable housing and the corresponding tax base, the City must help protect its aging housing stock. The City also works diligently, through the budget process, to develop financial plans that emphasize reasonable tax rates, consistent service delivery, infrastructure investments, and good standing within the broader financial and local government community.

The City continues to focus on quality-of-life improvements throughout the community. These initiatives include revitalizing parks and public areas, maintaining and improving current City services, and increasing the communication between City representatives and the public.

The City also continues to work closely with every level of government and other interested parties to improve transportation throughout the community, including

major investment in area highways, roads and streets. Funding for these improvements comes largely from the State and certain federal agencies with additional monies levied through special assessment against benefiting properties and other applicable funds controlled by the City.

Annually, the City develops a five-year financial plan for all budgeted funds. The plans help the organization better understand the effects of certain public policy decisions and allow the City to make more proactive decisions regarding its financial position.

MAJOR INITIATIVES

In 2022, the City continued a number of projects in partnership with various public and private entities related to several infrastructure and redevelopment projects. The following non-exhaustive list outlines many of the more significant projects.

1. The City completed the 2021 Street Rehabilitation Project in the Lakeview Neighborhood area. This project was deferred from planned construction in 2021 to 2022. The 2022 Street Rehabilitation Project began in 2022; construction was delayed due to weather conditions in November. Construction will be complete in 2023.
2. The City completed the majority of work for the 7th Street Pedestrian and Bike Trail project which involves constructing a shared use trail providing additional transportation network connectivity for pedestrians and cyclists. Finalized costs will occur in 2023.
3. With the feedback portion of the Park System Improvement Plan being complete, the City issued \$20.7 million in General Obligation Tax Abatement Bonds in July of 2022. The plan calls for \$30 million in park improvements over the next eight years. The final \$10 million will be funded internally, namely from the Community Investment Fund.
4. The City allocated \$836,000 of ARPA funds to cover the costs of Sanitary Sewer lining and water quality projects in 2022.
5. D&B Plating, through the use of a special use permit to increase the allowable lot coverage requirement, constructed an industrial building addition.

6. Many single-family homeowners took the opportunity to improve their homes in 2022. Fridley was named #1 in 2022 for the number of loans issued through the Community Reinvestment Fund (CRF), the banking/loan arm of the Center for Energy and Environment (CEE), the firm used by the Fridley Housing and Redevelopment Authority and numerous other cities in Minnesota.

Moving into 2023, the City continues its effort to enhance and expand various programs and services while ensuring a fiscally responsible organization sensitive to the needs of the community. The 2023 Budget reflects these goals while also responding to various cost pressures and guidance from the City Council.

As noted above, the City plans on allocating ARPA funds to various utility infrastructure projects in 2023, including Water Treatment Plant Security for \$300,000, Water Distribution System Reconstruction for \$314,500, Sanitary Sewer Lining for \$550,000 and Water Quality Projects for \$180,000.

In 2023, construction and development began quite strongly. As of March 31, 2023, the value of new construction totaled about \$6.0 million. Currently, there are permit applications in and plans being reviewed for projects that will put the City at \$41.2 million in new value for 2023. The City has several large projects anticipated for 2023, including, but not limited to the following:

1. A major re-development project is being planned for 2023 as Roers Companies requested the approval of several items to allow for the redevelopment of the Moon Plaza Property. The redevelopment would allow for the construction of a 169-unit affordable multi-family rental housing development.
2. Cummins, one the City's largest employers, announced 2023 plans for a \$10 million investment at their Fridley facility to manufacture electrolyzers. The site will be the first in the nation to manufacture them and is expected to create 100 new jobs. President Biden visited the facility on April 3, 2023, to recognize Cummins for their investment at their Fridley facility as well as over \$1 billion in investments Cummins is making across the nation.

3. A bridge over the BNSF Northern Switching Yard to extend 57th Avenue to East River Road is on the drawing board. Funding sources to ensure project completion are now being sought out. Talks have been positive with the Senate Tax Committee about additional design funds. This project is still likely many years out.
4. Metropolitan Council Environmental Services (MCES) plans to build a new lift station at 6900 East River Road to replace the existing lift station currently located in the City of Brooklyn Park. The final planning and design took place in 2021 with construction set to begin in 2023.
5. The City plans to complete three street projects in 2023: the 53rd Avenue Roundabout Safety Project, 53rd Avenue Trail and Walk Improvements and the 2023 Street Rehabilitation Project, which will include roadway and utility improvements in four distinct project locations.
6. The City plans to start construction at four City parks as part of the approved Park System Improvement Plan.

RELEVANT FINANCIAL POLICIES

In developing and improving the accounting system of the City, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the same. The evaluation of costs and benefits are based on the reasonable estimates and judgments of City management.

All internal control evaluations occur within the above framework. The internal accounting controls of the City adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Budgets for the General, Special Revenue and Capital Projects Funds are adopted on an annual basis. Budgetary control is maintained in compliance with the City Charter. The City Charter provides that it is the duty of the City Manager to strictly enforce the provisions of the budget. The management policy of the City is such

that the existence of a particular item or appropriation in the approved budget does not mean that it will or must be expended.

Budget adjustments between City departments are made upon the approval of a resolution by the City Council. The City Charter provides that the City Council shall not have power to increase the total amount of the budget, whether by insertion of new items or otherwise, beyond the estimated revenue unless the actual revenue exceeds such revenue estimates, and in that event not beyond such actual revenue. There is a monthly process to review actual revenues and expenditures. The City Council also adopts a revised budget annually to reflect any material changes consistent with the City Charter.

Expenditures are not approved until it has been determined that the expenditure 1) meets a public purpose; 2) is necessary; 3) adequate funds have been appropriated; 4) funds are available; and 5) the authorization of the appropriation expenditure by the appropriate parties. As required by the City Charter, budgetary control is maintained within each department at the department level per the annually adopted budget resolution. This is the level of control at which expenditures may not legally exceed appropriations.

The purpose of the Fund Balance Policy is to establish appropriate fund balance levels for each fund that is primarily supported by property tax revenues or user fees. These policies will ensure that adequate resources are available to meet cash flow needs for carrying out the regular operations of the City. The funds addressed in this policy include the General Fund, Solid Waste Abatement Fund, Springbrook Nature Center Fund, Cable Television Fund, and all Enterprise Funds. In 2022, all the funds addressed by this policy, with the exception of the Springbrook Nature Center, met their fund balance guidelines.

The purpose of the Investment Policy is to develop an overall program and philosophy for cash investments, designed and managed with a high degree of professionalism and worthy of public trust. It establishes that elected and appointed officials as well as certain employees are custodians of a portfolio. It also establishes cash investment objectives, delegation of authority, standards of prudence, internal controls, authorized investments, selection process for investments and broker representations.

Section 7.13 of the City Charter requires an annual audit to be made of the books of account, financial records and transactions of all administrative departments of

the City by a certified public accountant or the Office of the State Auditor. The accounting firm of Redpath and Company was engaged by the City to render an opinion on the financial statements of the City. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report.

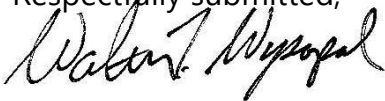
AWARDS AND ACKNOWLEDGEMENTS

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended December 31, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City continues to strive to meet the requirements of the Certificate of Achievement Program and will continue submitting it to the GFOA to determine the eligibility for future certificates.

The preparation of this report could not have been accomplished without the dedicated services of all members of the Finance Department, with special recognition to Korrie Johnson, Assistant Finance Director, and the staff of the Accounting Division. Staff are also grateful for the professional guidance from the City auditors, Redpath and Company. Staff would also like to express appreciation to the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and thoughtful manner.

Respectfully submitted,



Walter T. Wysopal
City Manager



Joe Starks
Director of Finance/City Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fridley
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morrell

Executive Director/CEO



This page intentionally left blank

CITY OF FRIDLEY, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
December 31, 2022

ELECTED OFFICIALS

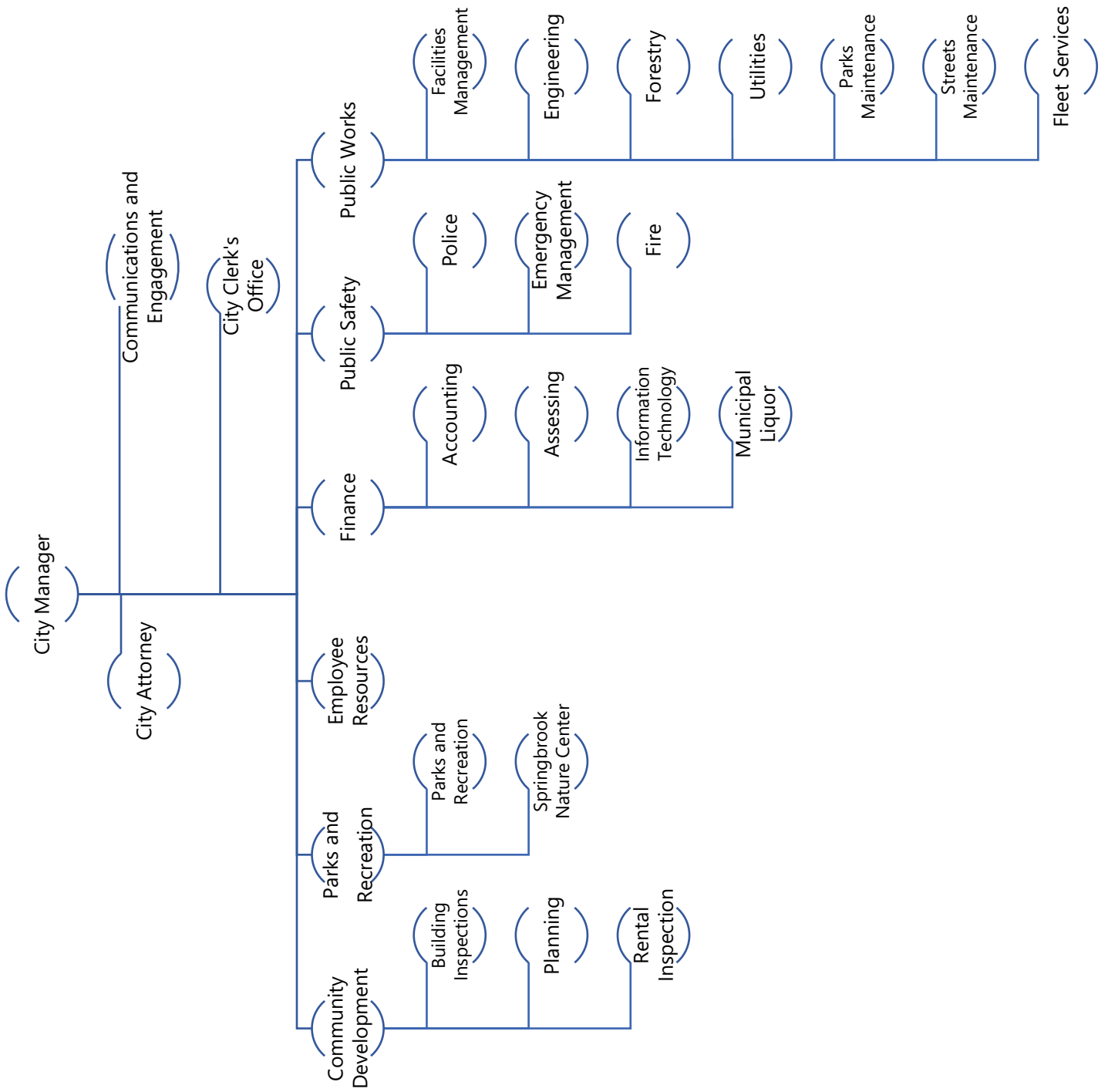
		<u>Term of Office Expires December</u>
Mayor	Scott J. Lund	2024
Councilmember At Large	David Ostwald	2024
Councilmember, Ward I	Thomas Tillberry	2022
Councilmember, Ward II	Stephen Eggert	2022
Councilmember, Ward III	Ann R. Bolkcom	2022

APPOINTED OFFICIALS

City Manager	Walter T. Wysopal
City Attorney	Sarah J. Sonsalla
Prosecuting Attorney	City of Coon Rapids
City Clerk	Melissa M. Moore
Department Heads:	
Director of Finance/Treasurer	Joseph A. Starks
Director of Public Safety	Brian T. Weierke
Director of Public Works	James P. Kosluchar
Director of Community Development	Scott J. Hickok
Director of Parks and Recreation	Michael W. Maher
Director of Employee Resources	Rebecca A. Hellegers



This page intentionally left blank





This page intentionally left blank

II. FINANCIAL SECTION



This page intentionally left blank



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Fridley, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fridley, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Fridley, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fridley, Minnesota, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fridley, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fridley, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of

Fridley, Minnesota's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fridley, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 20 to the financial statements, the City of Fridley, Minnesota adopted new accounting guidance for the year ended December 31, 2022, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and the schedules of OPEB and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fridley, Minnesota's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023 on our consideration of the City of Fridley, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fridley, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fridley, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 5, 2023



This page intentionally left blank

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the City of Fridley (City), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022. The City encourages readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found in the table of contents within this report.

Financial Highlights

The City’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$79,362,194 (net position). Of this amount, \$24,950,093 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors in accordance with the City’s fund designations and fiscal policies.

During 2022, the City’s total net position increased by \$1,369,608.

As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$59,278,674. Of this total amount, \$25,195,167, or 43% is restricted through legal restrictions or third-party agreements.

At the end of the current fiscal year, the General Fund balance of \$10,847,833 included \$225,418 in nonspendable, \$58,765 in restricted, and \$10,563,650 in unassigned fund balance.

The City’s total debt increased by \$19,396,129 during the current fiscal year. Total debt outstanding at December 31, 2022 is \$84,433,279.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Management's Discussion and Analysis

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the remainder reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (i.e., governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (i.e., business-type activities). The governmental activities of the City include general government, public safety, public works, community development, and parks and recreation. The business-type activities of the City include Liquor, Water, Sewer and Storm Water.

The government-wide financial statements can be found on Exhibits A-1 and A-2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds; proprietary funds; and fiduciary funds.

Management's Discussion and Analysis

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, Street Improvements, Community Investment, Park Improvements, and CARES/ARPA Funds, all of which are considered to be major funds.

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as referred to in the table of contents of this report.

The City adopts an annual appropriated budget for its General Fund, the Cable Television (TV), Solid Waste Abatement, Police Activity and Springbrook Nature Center special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits A-3 and A-4 of this report.

Management's Discussion and Analysis

Proprietary funds. The City maintains four enterprise funds and two internal service funds as a part of its proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Liquor, Water, Sewer, and Storm Water operations. The City uses internal service funds to account for its Employee Benefits and Self Insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Liquor, Water, Sewer, Storm Water and operations, all of which are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on Exhibits A-6 through A-8 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found Exhibits A-9 through A-10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the table of contents within this report.

Other information. The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found in the table of contents within this report.

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$79,362,194 at the close of the most recent fiscal year.

A significant portion of the City's net position (\$50,454,323 or 64%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Fridley's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$69,234,551	\$44,599,512	\$16,405,782	\$13,888,898	\$85,640,333	\$58,488,410
Capital assets	72,796,652	74,905,330	27,610,263	26,731,616	100,406,915	101,636,946
Total assets	<u>\$142,031,203</u>	<u>\$119,504,842</u>	<u>\$44,016,045</u>	<u>\$40,620,514</u>	<u>\$186,047,248</u>	<u>\$160,125,356</u>
Total deferred outflows of resources	15,346,190	9,204,400	12,383	13,069	15,358,573	9,217,469
Long-term liabilities outstanding	\$105,160,637	\$67,101,539	\$3,291,661	\$3,163,587	\$108,452,298	\$70,265,126
Other liabilities	8,069,363	7,132,824	2,404,943	2,168,730	10,474,306	9,301,554
Total liabilities	<u>\$113,230,000</u>	<u>\$74,234,363</u>	<u>\$5,696,604</u>	<u>\$5,332,317</u>	<u>\$118,926,604</u>	<u>\$79,566,680</u>
Total deferred inflows of resources	3,110,218	11,826,207	6,805	7,352	3,117,023	11,833,559
Net position:						
Net investment in capital assets	\$27,164,052	\$28,987,129	\$23,290,271	\$23,043,111	\$50,454,323	\$52,030,240
Restricted	3,957,778	3,763,121	-	-	3,957,778	3,763,121
Unrestricted	9,915,345	9,898,422	15,034,748	12,250,803	24,950,093	22,149,225
Total net position	<u>\$41,037,175</u>	<u>\$42,648,672</u>	<u>\$38,325,019</u>	<u>\$35,293,914</u>	<u>\$79,362,194</u>	<u>\$77,942,586</u>

The City adopted accounting guidance, Governmental Account Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* in 2016. Essentially, the standard required the unfunded portion of defined benefit pension plans to be reported by all participating employers. Recording the net pension liability and the pension related deferred outflows and inflows of resources do not change the City's future funding requirements or obligations under the plans, which are determined by Minnesota statutes.

Management's Discussion and Analysis

Net position was negatively impacted by \$10,914,942 at December 31, 2022 due to pension-related amounts included in the above schedule related to the standard are as follows:

Deferred outflows of resources	14,931,264
Deferred inflows of resources	(453,437)
Noncurrent liabilities	(25,392,769)
Total	<u>(\$10,914,942)</u>

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,950,093 in unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities decreased the City's net position by \$1,611,497. Some of the largest factors contributing to this decrease are as follows: Interest on long-term debt increased by \$914,022 as a result of issuing new debt in 2022. Public safety expenses increased by \$2,362,789. The majority of this is due to the public safety pension benefits expense increasing \$1,858,763 with the remaining amount largely due to increases in salaries and benefits. These expense increases are partially offset by capital grants increasing by \$869,702 largely due to federal grants used for streets infrastructure and operating grants and contributions increasing \$599,398 due to general increases in local government aid and municipal aid for streets.

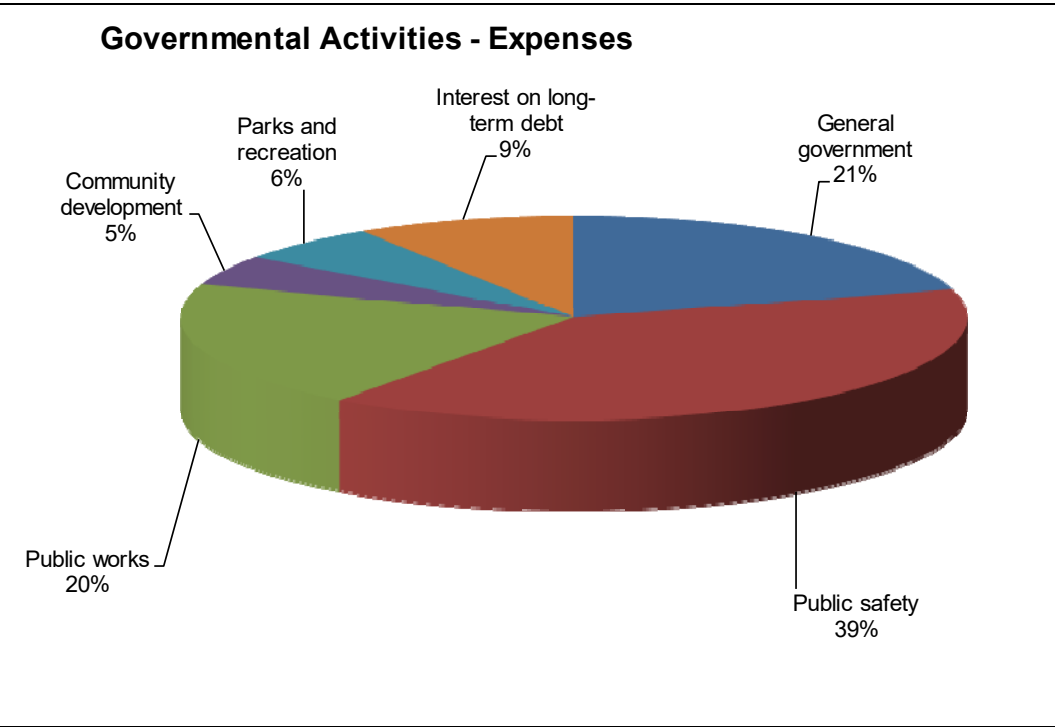
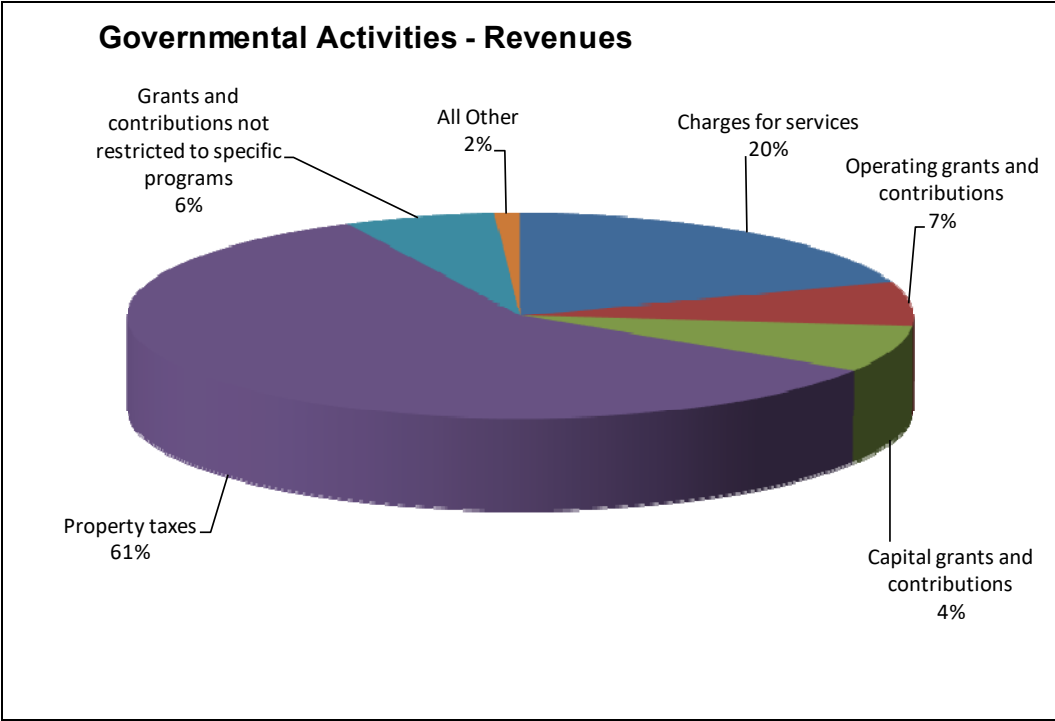
Management's Discussion and Analysis

City of Fridley's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$5,804,876	\$6,096,585	\$19,474,103	\$19,882,607	\$25,278,979	\$25,979,192
Operating grants and contributions	2,082,891	1,483,495	84,590	-	2,167,481	1,483,495
Capital grants and contributions	2,135,051	1,265,349	466,483	275,449	2,601,534	1,540,798
General revenues:						
Property taxes	17,340,718	16,932,793	-	-	17,340,718	16,932,793
Grants and contributions not restricted to specific programs	1,839,727	1,848,065	794,835	-	2,634,562	1,848,065
Unrestricted investment earnings	(576,946)	(180,488)	(387,377)	(24,062)	(964,323)	(204,550)
Gain on sale of property	48,528	129,604	17,550	12,450	66,078	142,054
Other	259,020	266,241	295	880	259,315	267,121
Total revenues	<u>28,933,865</u>	<u>27,841,644</u>	<u>20,450,479</u>	<u>20,147,324</u>	<u>49,384,344</u>	<u>47,988,968</u>
Expenses:						
General government	6,389,864	5,851,445	-	-	6,389,864	5,851,445
Public safety	12,178,884	9,816,095	-	-	12,178,884	9,816,095
Public works	6,186,146	5,698,161	-	-	6,186,146	5,698,161
Community development	1,478,757	1,051,339	-	-	1,478,757	1,051,339
Parks and recreation	1,854,907	1,754,110	-	-	1,854,907	1,754,110
Interest on long-term debt	2,795,304	1,881,282	-	-	2,795,304	1,881,282
Liquor	-	-	6,098,010	6,552,204	6,098,010	6,552,204
Water	-	-	3,270,302	3,086,716	3,270,302	3,086,716
Sewer	-	-	6,266,036	5,776,014	6,266,036	5,776,014
Storm water	-	-	1,496,526	1,288,000	1,496,526	1,288,000
Total expenses	<u>30,883,862</u>	<u>26,052,432</u>	<u>17,130,874</u>	<u>16,702,934</u>	<u>48,014,736</u>	<u>42,755,366</u>
Increase (decrease) in net position before transfers	(1,949,997)	1,789,212	3,319,605	3,444,390	1,369,608	5,233,602
Transfers	<u>338,500</u>	<u>338,500</u>	<u>(338,500)</u>	<u>(338,500)</u>	<u>-</u>	<u>-</u>
Increase in net position	(1,611,497)	2,127,712	2,981,105	3,105,890	1,369,608	5,233,602
Net position - January 1, as previously reported	42,648,672	40,520,960	35,293,914	32,188,024	77,942,586	72,708,984
Prior period adjustment	-	-	50,000	-	50,000	-
Net position - January 1, restated	<u>42,648,672</u>	<u>40,520,960</u>	<u>35,343,914</u>	<u>32,188,024</u>	<u>77,992,586</u>	<u>72,708,984</u>
Net position - December 31	<u>\$41,037,175</u>	<u>\$42,648,672</u>	<u>\$38,325,019</u>	<u>\$35,293,914</u>	<u>\$79,362,194</u>	<u>\$77,942,586</u>

Management's Discussion and Analysis

Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:

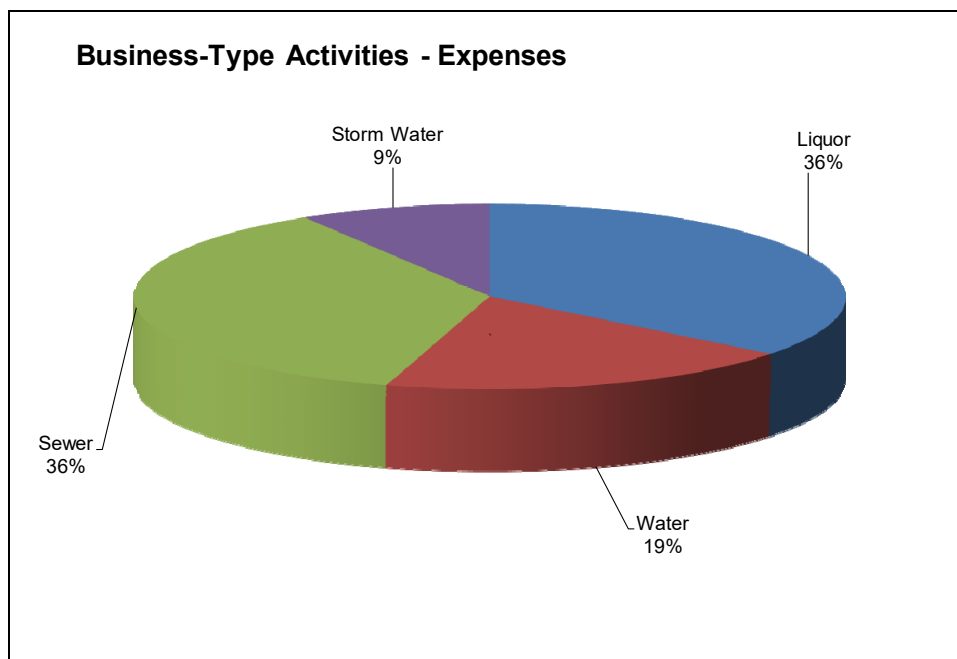
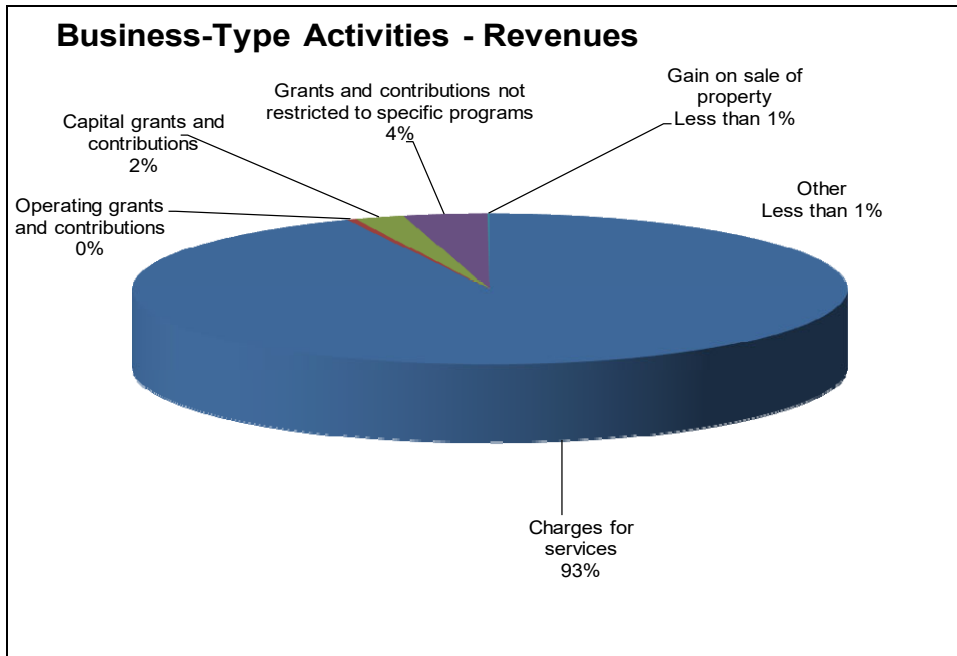


Management's Discussion and Analysis

Business-Type Activities

Business-type activities increased net position by \$2,981,105. This increase is primarily due to positive cash flow in all four of the City's Enterprise funds. In addition, it is also due to federal grants being used for utility infrastructure in the amount of \$794,834.

Business-Type of Activities – Program Revenues vs Operating Expenses



Management's Discussion and Analysis

Financial Analysis of the Government's Funds

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$59,278,674.

The General Fund's fund balance increased by \$122,494 in 2022. This was more than the \$0 anticipated fund balance change with the 2022 budget. Expenditures were under budget in Personnel services by \$503,035 due to restructuring in the City Manager's office and lags in filling positions. Permit revenue came in \$327,862 under budget due to less than anticipated development.

The Debt Service Fund balance increased by \$177,567 in 2022.

The Street Improvements Fund has an assigned fund balance of \$2,529,230 and is identified as a major fund. The fund balance decreased by \$126,776 in 2022.

The Community Investment Fund has a committed fund balance of \$13,082,582 and is identified as a major fund. The fund balance decreased \$256,811. The decrease in fund balance is primarily due to a \$163,413 loss on investments. The fund also transfers out \$100,000 annually to the Park Improvement Fund.

The CARES/ARPA fund has \$2,246,052 in unearned revenue at December 31, 2022.

Non-major special revenue funds increased by \$19,822 in 2022.

Non-major capital project funds increased by \$423,924 in 2022. This was primarily due to expenditure savings as a result of not being able to purchase a fire truck in the equipment fund due to COVID-19 related supply issues.

Management's Discussion and Analysis

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position in the respective proprietary funds is: Liquor, \$1,865,443; Water, \$4,377,871; Sewer, \$5,146,854; and Storm Water, \$3,739,511. The Liquor, Water, Sewer, and Storm Water funds increased respectively in net position by \$86,858, \$1,147,760, \$864,208, and \$1,002,239.

Budgetary Highlights

General Fund

The original revenue and expenditure budgets were both amended. Three significant adjustments were made. Salaries that were budgeted for the compensation plan were moved out of non-department and allocated to the appropriate divisions in the amount of \$195,000. Another substantial budget amendment was due to the HRA manager's salary moving out of the HRA budget and into the General Fund budget in January of 2022. This accounted for \$183,000 in budget amendments. Finally, Police overtime was increased \$160,000 and was offset by an increase in Police security revenue.

Operating expenditures in total were less than the final budgetary estimates by \$618,376. City Manager came in \$150,250 under budget largely due to restructuring within the department. Emergency reserves in the amount of \$87,495 were not used. Non departmental had \$95,300 remaining from the money set aside for the compensation plan. Parks and Recreation continued with a lower level of services therefore coming in at \$86,972 under budget.

Total revenues were less than the final budgetary estimates by \$491,797. Permit revenue came in \$327,862 under budget due to stagnant development in the City in 2022. Investment income came in \$210,311 under budget due to the rising interest rate environment causing an usually high unrealized loss on the fair value of investments in 2022

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2022, amounts to \$100,406,915 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements other than buildings, machinery and equipment, infrastructure, construction in progress, and right to use leased assets.

City of Fridley's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$5,502,104	\$5,502,104	\$699,047	\$699,047	\$6,201,151	\$6,201,151
Buildings and structures	43,493,731	45,505,334	5,483,565	5,807,043	48,977,296	51,312,377
Improvements other than buildings	3,424,332	3,473,964	19,316,182	-	22,740,514	3,473,964
Machinery and equipment	3,960,468	4,969,485	744,478	850,547	4,704,946	5,820,032
Infrastructure	14,039,539	15,249,880	-	19,341,119	14,039,539	34,590,999
Construction in progress	2,376,478	204,563	581,963	33,860	2,958,441	238,423
Right to use leased assets **	-	-	785,028	-	785,028	-
Total Capital Assets	<u>\$72,796,652</u>	<u>\$74,905,330</u>	<u>\$27,610,263</u>	<u>\$26,731,616</u>	<u>\$100,406,915</u>	<u>\$101,636,946</u>

**For the year ended December 31, 2022, the entity implemented GASB 87. In accordance with the requirements of GASB 87, a right to use leased asset have been recorded.

Additional information on the City's capital assets can be found in Note 6.

Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$79,705,000. This is an increase of \$18,060,000 from 2021. \$43,245,000 of this is for General Obligation Improvement Debt, which is supported by special assessments and property tax levies. \$12,715,000 is General Obligation Tax Increment Debt which is support by tax increments. \$20,730,000 is General Obligation Tax Abatement Bonds and \$3,015,000 is General Obligation Utility Revenue Debt, which is financed by the respective Utility Fund. In addition, there is long-term debt in the amount of \$1,214,923 for compensated absences and \$3,513,356 of bond issuance premium/discount.

Additional information on the City's long-term debt can be found in Note 7.

City of Fridley's Outstanding Debt

General Obligation Improvement Bonds, General Obligation Equipment Certificates, General Obligation Revenue Bonds, the related premiums or discounts, and Compensated Absences are as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General Obligation Improvement Bonds	\$43,245,000	\$44,495,000	\$ -	\$ -	\$43,245,000	\$44,495,000
General Obligation Tax Increment Bonds	12,715,000	13,420,000	-	-	12,715,000	13,420,000
General Obligation Tax Abatement Bonds	20,730,000	-	-	-	20,730,000	-
General Obligation Revenue Bonds	-	-	3,015,000	3,580,000	3,015,000	3,580,000
General Obligation Equipment Certificates	-	150,000	-	-	-	150,000
Compensated Absences	1,214,923	1,148,400	-	-	1,214,923	1,148,400
Bond issuance premium/discount	3,416,687	2,135,244	96,669	108,506	3,513,356	2,243,750
Total	\$81,321,610	\$61,348,644	\$3,111,669	\$3,688,506	\$84,433,279	\$65,037,150

The City of Fridley has an Aa2 rating.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City is \$102,770,292. Only \$43,245,000 of the City's outstanding debt is counted within the statutory limitation because all other debt is either wholly or partially repaid by revenues other than general property tax levies.

Requests for information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 7071 University Avenue NE, Fridley, Minnesota 55432.



This page intentionally left blank

BASIC FINANCIAL STATEMENTS



This page intentionally left blank

CITY OF FRIDLEY, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment Authority
Assets:				
Cash and investments	\$59,344,687	\$14,493,881	\$73,838,568	\$16,027,442
Receivables:				
Accounts	129,866	3,832,254	3,962,120	82,581
Taxes	461,871	-	461,871	24,963
Special assessments	1,196,584	15,856	1,212,440	-
Mortgage	-	-	-	2,968,421
Notes	-	-	-	1,000,000
Interest	223,118	-	223,118	51,407
Due from component unit	451,550	-	451,550	-
Due from other governments	1,133,417	295,699	1,429,116	-
Internal balances	3,639,296	(3,639,296)	-	-
Prepaid items	151,168	434,337	585,505	-
Inventories - at cost	74,250	973,051	1,047,301	-
Lease receivable	2,428,744	-	2,428,744	-
Land held for resale	-	-	-	457,830
Capital assets (net of accumulated depreciation):				
Land	5,502,104	699,047	6,201,151	1,011,755
Buildings and structures	43,493,731	5,483,565	48,977,296	-
Improvements other than buildings	3,424,332	19,316,182	22,740,514	-
Machinery and equipment	3,960,468	744,478	4,704,946	-
Infrastructure	14,039,539	-	14,039,539	-
Construction in progress	2,376,478	581,963	2,958,441	-
Right to use leased assets	-	785,028	785,028	-
Total assets	142,031,203	44,016,045	186,047,248	21,624,399
Deferred outflows of resources:				
Related to other post employment benefits	414,926	12,383	427,309	440
Related to pensions	14,931,264	-	14,931,264	-
Total deferred outflows of resources	15,346,190	12,383	15,358,573	440
Liabilities:				
Due to primary government	-	-	-	452,189
Accounts payable	410,512	556,327	966,839	950,067
Deposits payable	155,343	407	155,750	-
Contracts payable	149,063	390,852	539,915	-
Due to other governments	15,268	603,185	618,453	-
Salaries payable	765,314	102,249	867,563	-
Accrued interest payable	1,278,004	25,464	1,303,468	-
Unearned revenue	2,246,195	44,344	2,290,539	-
Compensated absences payable:				
Due within one year	839,664	-	839,664	-
Due in more than one year	375,259	-	375,259	-
Other post employment benefits payable:				
Due in more than one year	1,495,922	44,636	1,540,558	1,585
Lease liability:				
Due within one year	-	107,115	107,115	-
Due in more than one year	-	710,356	710,356	-
Bonds payable:				
Due within one year	2,210,000	575,000	2,785,000	-
Due in more than one year	77,896,687	2,536,669	80,433,356	-
Net pension liability:				
Due in more than one year	25,392,769	-	25,392,769	-
Total liabilities	113,230,000	5,696,604	118,926,604	1,403,841
Deferred inflows of resources:				
Related to leases	2,428,744	-	2,428,744	-
Related to other post employment benefits	228,037	6,805	234,842	242
Related to pensions	453,437	-	453,437	-
Total deferred inflows of resources	3,110,218	6,805	3,117,023	242
Net position:				
Net investment in capital assets	27,164,052	23,290,271	50,454,323	1,011,755
Restricted for:				
Debt service	3,806,817	-	3,806,817	-
Tax increment purposes	-	-	-	5,527,421
Police forfeitures	22,599	-	22,599	-
Cable television equipment	67,379	-	67,379	-
Donations	60,983	-	60,983	-
Unrestricted	9,915,345	15,034,748	24,950,093	13,681,580
Total net position	\$41,037,175	\$38,325,019	\$79,362,194	\$20,220,756

The accompanying notes are an integral part of these financial statements.

CITY OF FRIDLEY, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$6,389,864	\$2,157,317	\$140,451	\$ -
Public safety	12,178,884	791,031	1,247,198	-
Public works	6,186,146	553,539	547,692	2,135,051
Community development	1,478,757	1,982,209	-	-
Parks and recreation	1,854,907	320,780	147,550	-
Interest on long-term debt	2,795,304	-	-	-
Total governmental activities	<u>30,883,862</u>	<u>5,804,876</u>	<u>2,082,891</u>	<u>2,135,051</u>
Business-type activities:				
Liquor	6,098,010	6,521,618	-	-
Water	3,270,302	4,545,403	7,229	-
Sewer	6,266,036	6,639,735	-	50,000
Storm water	1,496,526	1,767,347	77,361	416,483
Total business-type activities	<u>17,130,874</u>	<u>19,474,103</u>	<u>84,590</u>	<u>466,483</u>
Total primary government	<u>\$48,014,736</u>	<u>\$25,278,979</u>	<u>\$2,167,481</u>	<u>\$2,601,534</u>
Component unit:				
Housing and Redevelopment Authority	\$4,024,836	\$466,210	\$ -	\$ -
Total component unit	<u>\$4,024,836</u>	<u>\$466,210</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Property taxes
- Tax increment collections
- Grants and contributions not restricted to specific programs
- Investment income/(loss)
- Gain on sale of property
- Other reimbursements
- Other
- Transfers
- Total general revenues and transfers

Change in net position

Net position - January 1, as previously reported
Prior period adjustment (see Note 21)
Net position - January 1, restated

Net position - December 31

The accompanying notes are an integral part of these financial statements.

Exhibit A-2

Net (Expense) Revenue and Changes in Net Position			Component Unit Housing & Redevelopment Authority
Primary Government			
Governmental Activities	Business-Type Activities	Total	
(\$4,092,096)	\$ -	(\$4,092,096)	\$ -
(10,140,655)	-	(10,140,655)	-
(2,949,864)	-	(2,949,864)	-
503,452	-	503,452	-
(1,386,577)	-	(1,386,577)	-
(2,795,304)	-	(2,795,304)	-
(20,861,044)	-	(20,861,044)	-
-	423,608	423,608	-
-	1,282,330	1,282,330	-
-	423,699	423,699	-
-	764,665	764,665	-
-	2,894,302	2,894,302	-
(20,861,044)	2,894,302	(17,966,742)	\$ -
			(\$3,558,626)
			(3,558,626)
17,340,718	-	17,340,718	593,216
-	-	-	5,516,213
1,839,727	794,835	2,634,562	-
(576,946)	(387,377)	(964,323)	(334,210)
48,528	17,550	66,078	117,162
-	295	295	-
259,020	-	259,020	162,520
338,500	(338,500)	-	-
19,249,547	86,803	19,336,350	6,054,901
(1,611,497)	2,981,105	1,369,608	2,496,275
42,648,672	35,293,914	77,942,586	17,724,481
-	50,000	50,000	-
42,648,672	35,343,914	77,992,586	17,724,481
\$41,037,175	\$38,325,019	\$79,362,194	\$20,220,756

The accompanying notes are an integral part of these financial statements.

CITY OF FRIDLEY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General	Debt Service
Assets:		
Cash and investments	\$10,927,966	\$3,675,148
Receivables:		
Accounts	16,931	-
Taxes	370,247	78,717
Special assessments	54,690	149
Interest	223,118	-
Due from component unit	2,533	-
Due from other governments	185,011	-
Due from other funds	15,373	-
Prepays	151,168	-
Lease receivable	2,428,744	-
Inventories, at cost	74,250	-
Total assets	<u>\$14,450,031</u>	<u>\$3,754,014</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$234,716	\$ -
Deposits payable	109,357	-
Contracts payable	-	-
Due to other governments	7,404	-
Due to other funds	-	-
Salaries payable	603,951	-
Unearned revenue	-	-
Total liabilities	<u>955,428</u>	<u>-</u>
Deferred inflows of resources		
Related to leases	2,428,744	-
Unavailable revenue	218,026	40,570
Total deferred inflows of resources	<u>2,646,770</u>	<u>40,570</u>
Fund balance:		
Nonspendable	225,418	-
Restricted	58,765	3,766,432
Committed	-	-
Assigned	-	-
Unassigned	10,563,650	(52,988)
Total fund balance	<u>10,847,833</u>	<u>3,713,444</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$14,450,031</u>	<u>\$3,754,014</u>

The accompanying notes are an integral part of these financial statements.

Street Improvements	Community Investment	Park Improvements	CARES/ARPA	Other Governmental Funds	Intra-Activity Eliminations	Totals Governmental Funds
\$1,869,190	\$9,537,066	\$23,383,892	\$2,232,260	\$5,245,906	\$ -	\$56,871,428
-	-	-	-	106,228	-	123,159
61	344	133	-	12,369	-	461,871
1,098,648	1,423	-	-	41,674	-	1,196,584
-	-	-	-	-	-	223,118
-	-	-	-	449,017	-	451,550
820,778	-	-	-	127,628	-	1,133,417
-	3,544,365	-	-	-	(15,373)	3,544,365
-	-	-	-	-	-	151,168
-	-	-	-	-	-	2,428,744
-	-	-	-	-	-	74,250
<u>\$3,788,677</u>	<u>\$13,083,198</u>	<u>\$23,384,025</u>	<u>\$2,232,260</u>	<u>\$5,982,822</u>	<u>(\$15,373)</u>	<u>\$66,659,654</u>

\$6,682	\$ -	\$15,768	\$ -	\$88,094	\$ -	\$345,260
11,300	-	32,936	-	1,750	-	155,343
144,213	-	-	-	4,850	-	149,063
-	-	-	-	7,864	-	15,268
-	-	-	-	15,373	(15,373)	-
-	-	-	-	32,512	-	636,463
-	-	-	2,246,052	143	-	2,246,195
<u>162,195</u>	<u>-</u>	<u>48,704</u>	<u>2,246,052</u>	<u>150,586</u>	<u>(15,373)</u>	<u>3,547,592</u>

-	-	-	-	-	-	2,428,744
1,097,252	616	133	-	48,047	-	1,404,644
<u>1,097,252</u>	<u>616</u>	<u>133</u>	<u>-</u>	<u>48,047</u>	<u>-</u>	<u>3,833,388</u>

-	-	-	-	-	-	225,418
-	-	21,183,039	-	186,931	-	25,195,167
-	13,082,582	-	-	3,440,421	-	16,523,003
2,529,230	-	2,152,149	-	2,156,837	-	6,838,216
-	-	-	(13,792)	-	-	10,496,870
<u>2,529,230</u>	<u>13,082,582</u>	<u>23,335,188</u>	<u>(13,792)</u>	<u>5,784,189</u>	<u>-</u>	<u>59,278,674</u>
<u>\$3,788,677</u>	<u>\$13,083,198</u>	<u>\$23,384,025</u>	<u>\$2,232,260</u>	<u>\$5,982,822</u>	<u>(\$15,373)</u>	<u>\$66,659,654</u>

Fund balance reported above \$59,278,674

Amounts reported for governmental activities in

the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

72,796,652

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

1,404,644

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(81,384,691)

Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.

(1,309,033)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities are included in the governmental statement of net position.

(9,749,071)

Net position of governmental activities

\$41,037,175

CITY OF FRIDLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2022

	General	Debt Service
Revenues:		
Taxes	\$13,666,862	\$3,156,749
Special assessments	92,978	146
Licenses and permits	849,968	-
Intergovernmental revenue	2,188,509	-
Charges for services	2,422,066	-
Reimbursements	-	-
Fines and forfeits	120,612	-
Investment income (loss)	(109,011)	13,156
Contributions and donations	56,197	-
Payment from component unit	-	1,136,930
Interest on loan	-	-
Miscellaneous:		
Other	231,622	-
Total revenues	<u>19,519,803</u>	<u>4,306,981</u>
Expenditures:		
Current:		
General government	4,120,167	-
Public safety	9,842,958	-
Public works	3,579,464	-
Community development	1,379,407	-
Parks and recreation	735,028	-
Debt service	-	4,129,414
Capital outlay	-	-
Total expenditures	<u>19,657,024</u>	<u>4,129,414</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(137,221)</u>	<u>177,567</u>
Other financing sources (uses):		
Proceeds from sale of capital assets	-	-
Issuance of bonds	-	-
Premium on bond issuance	-	-
Transfers in	259,715	-
Transfers out	-	-
Total other financing sources (uses)	<u>259,715</u>	<u>-</u>
Net change in fund balance	122,494	177,567
Fund balance - January 1	<u>10,725,339</u>	<u>3,535,877</u>
Fund balance - December 31	<u><u>\$10,847,833</u></u>	<u><u>\$3,713,444</u></u>

The accompanying notes are an integral part of these financial statements.

Street Improvements	Community Investment	Park Improvements	CARES/ARPA	Other Governmental Funds	Intra-Activity Eliminations	Totals Governmental Funds
\$ -	\$123	\$ -	\$ -	\$529,019	\$ -	\$17,352,753
513,582	17,513	-	-	33,194	-	657,413
-	-	-	-	242,875	-	1,092,843
1,514,578	-	128,000	-	1,207,699	-	5,038,786
-	-	-	-	617,291	-	3,039,357
-	-	-	-	226,953	-	226,953
-	-	-	-	76,905	-	197,517
(75,353)	(274,688)	101,827	(28,582)	(131,169)	-	(503,820)
10,000	-	92,051	-	20,378	-	178,626
-	-	-	-	-	-	1,136,930
-	111,276	-	-	-	-	111,276
-	-	-	-	27,398	-	259,020
<u>1,962,807</u>	<u>(145,776)</u>	<u>321,878</u>	<u>(28,582)</u>	<u>2,850,543</u>	<u>-</u>	<u>28,787,654</u>
-	11,035	-	-	1,163,998	-	5,295,200
-	-	-	-	484,053	-	10,327,011
40,792	-	-	-	16,416	-	3,636,672
-	-	-	-	11,679	-	1,391,086
-	-	71,695	-	664,453	-	1,471,176
-	-	556,599	-	-	-	4,686,013
1,944,991	-	377,166	-	364,726	-	2,686,883
<u>1,985,783</u>	<u>11,035</u>	<u>1,005,460</u>	<u>-</u>	<u>2,705,325</u>	<u>-</u>	<u>29,494,041</u>
<u>(22,976)</u>	<u>(156,811)</u>	<u>(683,582)</u>	<u>(28,582)</u>	<u>145,218</u>	<u>-</u>	<u>(706,387)</u>
-	-	-	-	48,528	-	48,528
-	-	20,730,000	-	-	-	20,730,000
-	-	1,481,771	-	-	-	1,481,771
-	-	100,000	-	250,000	(271,215)	338,500
<u>(103,800)</u>	<u>(100,000)</u>	<u>(67,415)</u>	<u>-</u>	<u>-</u>	<u>271,215</u>	<u>-</u>
<u>(103,800)</u>	<u>(100,000)</u>	<u>22,244,356</u>	<u>-</u>	<u>298,528</u>	<u>-</u>	<u>22,598,799</u>
(126,776)	(256,811)	21,560,774	(28,582)	443,746	-	21,892,412
<u>2,656,006</u>	<u>13,339,393</u>	<u>1,774,414</u>	<u>14,790</u>	<u>5,340,443</u>	<u>-</u>	<u>37,386,262</u>
<u>\$2,529,230</u>	<u>\$13,082,582</u>	<u>\$23,335,188</u>	<u>(\$13,792)</u>	<u>\$5,784,189</u>	<u>\$ -</u>	<u>\$59,278,674</u>

The accompanying notes are an integral part of these financial statements.



This page intentionally left blank

CITY OF FRIDLEY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:

Net changes in fund balances - total governmental funds (Exhibit A-4)	\$21,892,412
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(2,108,678)
Deferred revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(48,975)
The issuance of long-term debt (e.g., bonds, leases) provides current resources to governmental funds, while the repayment of the principal of financial long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(19,906,443)
Internal service funds are used by management to charge the cost of certain activities to individual funds. This amount is net expenditures attributable to governmental activities.	(974,313)
Other post employment benefits in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(50,881)
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(414,619)
Change in net position of governmental activities (Exhibit A-2)	<u>(\$1,611,497)</u>

CITY OF FRIDLEY, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Business-Type Activities - Enterprise Funds	
	Liquor	Water
Assets:		
Current assets:		
Cash and investments	\$1,404,931	\$6,408,139
Accounts receivable	-	1,634,169
Special assessments receivable	-	14,107
Due from other governments	-	898
Prepaid items	-	-
Inventories - at cost	890,107	82,944
Total current assets	2,295,038	8,140,257
Noncurrent assets:		
Capital assets:		
Land	151,946	147,485
Buildings and structures	536,891	8,178,010
Machinery and equipment	244,185	2,783,918
Infrastructure	-	22,960,667
Construction in process	-	146,100
Right to use leased asset	919,604	-
Total capital assets	1,852,626	34,216,180
Less: Allowance for depreciation and amortization	(700,431)	(20,236,855)
Net capital assets	1,152,195	13,979,325
Total assets	3,447,233	22,119,582
Deferred outflows of resources:		
Related to pensions	-	-
Related to other post employment benefits	3,040	4,444
Total deferred outflows of resources	3,040	4,444
Liabilities:		
Current liabilities:		
Accounts payable	286,885	228,155
Deposits payable	407	-
Accrued interest payable	-	25,464
Contracts payable	-	8,866
Due to other governments	61,762	214,630
Due to other funds	-	3,244,365
Salaries payable	26,611	35,755
Payroll deductions payable	-	-
Compensated absences payable	-	-
Lease liability - current	107,115	-
Bonds payable - current	-	575,000
Unearned revenue	44,344	-
Total current liabilities	527,124	4,332,235
Noncurrent liabilities:		
Other post employment benefits	10,956	16,019
Compensated absences - noncurrent	-	-
Lease liability - noncurrent	710,356	-
Bonds payable - noncurrent	-	2,536,669
Net pension liability	-	-
Total noncurrent liabilities	721,312	2,552,688
Total liabilities	1,248,436	6,884,923
Deferred inflows of resources:		
Related to pensions	-	-
Related to other post employment benefits	1,670	2,442
Total deferred outflows of resources	1,670	2,442
Net position:		
Net investment in capital assets	334,724	10,858,790
Unrestricted	1,865,443	4,377,871
Total net position	\$2,200,167	\$15,236,661
Net position reported above		
Adjustment to report the cumulative internal balance for the net effect		
activity between the internal service fund and the enterprise funds over time		
Net position of business-type activities (Exhibit A-1)		

The accompanying notes are an integral part of these financial statements.

Exhibit A-6

Business-Type Activities - Enterprise Funds			Governmental Activities -
Sewer	Storm Water	Total	Internal Service Funds
\$3,501,565	\$3,179,246	\$14,493,881	\$2,473,259
1,708,213	489,872	3,832,254	6,707
-	1,749	15,856	-
54,971	239,830	295,699	-
434,337	-	434,337	-
-	-	973,051	-
5,699,086	3,910,697	20,045,078	2,479,966
22,800	376,816	699,047	-
903,244	-	9,618,145	-
1,281,088	423,635	4,732,826	-
11,388,927	14,150,268	48,499,862	-
-	435,863	581,963	-
-	-	919,604	-
13,596,059	15,386,582	65,051,447	-
(9,185,418)	(7,318,480)	(37,441,184)	-
4,410,641	8,068,102	27,610,263	-
10,109,727	11,978,799	47,655,341	2,479,966
-	-	-	14,931,264
2,073	2,826	12,383	-
2,073	2,826	12,383	14,931,264
31,667	9,620	556,327	65,252
-	-	407	-
-	-	25,464	-
16,022	365,964	390,852	-
326,503	290	603,185	-
170,000	130,000	3,544,365	-
17,520	22,363	102,249	-
-	-	-	128,851
-	-	-	839,664
-	-	107,115	-
-	-	575,000	-
-	-	44,344	-
561,712	528,237	5,949,308	1,033,767
7,475	10,186	44,636	-
-	-	-	375,259
-	-	710,356	-
-	-	2,536,669	-
-	-	-	25,392,769
7,475	10,186	3,291,661	25,768,028
569,187	538,423	9,240,969	26,801,795
-	-	-	453,437
1,140	1,553	6,805	-
1,140	1,553	6,805	453,437
4,394,619	7,702,138	23,290,271	-
5,146,854	3,739,511	15,129,679	(9,844,002)
\$9,541,473	\$11,441,649	\$38,419,950	(\$9,844,002)
		\$38,419,950	
		(94,931)	
		\$38,325,019	

The accompanying notes are an integral part of these financial statements.

CITY OF FRIDLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds	
	Liquor	Water
Sales	\$6,521,618	\$ -
Cost of sales	(4,713,669)	-
Gross profit	1,807,949	-
Operating revenues:		
Customer billings	-	4,543,604
Charges for services	-	-
Other revenues	-	1,799
Total operating revenues	-	4,545,403
Total gross profit and operating revenues	1,807,949	4,545,403
Operating expenses:		
Personnel services	660,604	857,560
Supplies and other charges:		
Disposal charges	-	-
Other	467,363	1,253,062
Depreciation and amortization	179,886	962,913
Total operating expenses	1,307,853	3,073,535
Operating income (loss)	500,096	1,471,868
Nonoperating revenues (expenses):		
Intergovernmental revenue	-	7,229
Investment income (loss)	(31,088)	(194,219)
Insurance reimbursement	-	-
Interest and fiscal charges	(43,707)	(154,668)
Gain (loss) on sale of capital assets	-	17,550
Other	57	-
Total nonoperating revenues (expenses)	(74,738)	(324,108)
Income (loss) before transfers and capital contributions	425,358	1,147,760
Transfers and capital contributions:		
Transfers out	(338,500)	-
Capital contributions	-	-
Total contributions and transfers	(338,500)	-
Change in net position	86,858	1,147,760
Net position - January 1, as previously reported	2,113,309	14,088,901
Prior period adjustment (see Note 21)	-	-
Net position - January 1, restated	2,113,309	14,088,901
Net position - December 31	\$2,200,167	\$15,236,661
Changes in net position reported above		
Adjustment to report the cumulative internal balance for the net effect of activity between the internal service funds and the enterprise funds over time.		
Changes in net position of business-type activities (Exhibit A-2)		

The accompanying notes are an integral part of these financial statements.

Exhibit A-7

Business-Type Activities - Enterprise Funds			Governmental Activities -
Sewer	Storm Water	Total	Internal Service Funds
\$ -	\$ -	\$6,521,618	\$ -
-	-	(4,713,669)	-
-	-	1,807,949	-
6,639,735	1,767,347	12,950,686	-
-	-	-	1,880,833
-	-	1,799	-
6,639,735	1,767,347	12,952,485	1,880,833
6,639,735	1,767,347	14,760,434	1,880,833
437,015	532,589	2,487,768	2,626,675
4,834,719	-	4,834,719	-
576,230	555,606	2,852,261	504,563
394,076	379,947	1,916,822	-
6,242,040	1,468,142	12,091,570	3,131,238
397,695	299,205	2,668,864	(1,250,405)
497,348	374,848	879,425	219,784
(76,635)	(85,435)	(387,377)	(73,126)
-	-	-	9,474
(4,200)	(3,100)	(205,675)	-
-	-	17,550	-
-	238	295	-
416,513	286,551	304,218	156,132
814,208	585,756	2,973,082	(1,094,273)
-	-	(338,500)	-
50,000	416,483	466,483	-
50,000	416,483	127,983	-
864,208	1,002,239	3,101,065	(1,094,273)
8,677,265	10,389,410	35,268,885	(8,749,729)
-	50,000	50,000	-
8,677,265	10,439,410	35,318,885	(8,749,729)
\$9,541,473	\$11,441,649	\$38,419,950	(\$9,844,002)
		\$3,101,065	
		(119,960)	
		\$2,981,105	

The accompanying notes are an integral part of these financial statements.

CITY OF FRIDLEY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds	
	Liquor	Water
Cash flows from operating activities:		
Receipts from customers and users	\$6,525,304	\$4,526,309
Receipts from interfund services provided	-	-
Payment to suppliers	(5,256,661)	(1,138,527)
Payment to employees	(659,855)	(852,767)
Operating contribution	57	-
Net cash flows from operating activities	608,845	2,535,015
Cash flows from noncapital financing activities:		
Intergovernmental revenue	-	7,229
Transfers out	(338,500)	-
Net cash flows from noncapital financing activities	(338,500)	7,229
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(640,278)
Proceeds from sale of capital assets	-	17,550
Capital grants and contributions	-	-
Principal received on special assessments	-	7,014
Insurance reimbursement	-	-
Principal paid on revenue bonds	-	(576,837)
Principal paid on leases	(102,133)	-
Repayment on interfund loan	-	(473,154)
Interest and paying agent fees on long-term liabilities	(43,708)	(159,375)
Net cash flows from capital and related financing activities	(145,841)	(1,825,080)
Cash flows from investing activities:		
Investment income (loss)	(31,088)	(194,219)
Net increase (decrease) in cash and cash equivalents	93,416	522,945
Cash and cash equivalents - January 1	1,311,515	5,885,194
Cash and cash equivalents - December 31	\$1,404,931	\$6,408,139
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$500,096	\$1,471,868
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation and amortization	179,886	962,913
Operating contribution	57	-
Changes in assets and liabilities:		
Decrease (increase) in receivables	3,304	(19,094)
Decrease (increase) in prepaid items	-	-
Decrease (increase) in inventories	(29,553)	7,200
Decrease (increase) in deferred outflows of resources	192	229
Increase (decrease) in payables	(45,372)	112,086
Increase (decrease) in unearned revenue	382	-
Increase (decrease) in deferred inflows of resources	(147)	(187)
Total adjustments	108,749	1,063,147
Net cash provided by operating activities	\$608,845	\$2,535,015
Noncash investing and financing activities		
Capital contributions	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Exhibit A-8

Business-Type Activities - Enterprise Funds			Governmental Activities -
Sewer	Storm Water	Total	Internal Service Funds
\$6,668,183	\$1,749,690	\$19,469,486	\$ -
-	-	-	1,874,126
(5,448,336)	(612,143)	(12,455,667)	(440,445)
(434,516)	(530,141)	(2,477,279)	(1,714,756)
-	238	295	-
785,331	607,644	4,536,835	(281,075)
497,348	342,950	847,527	219,784
-	-	(338,500)	-
497,348	342,950	509,027	219,784
(508,522)	(386,061)	(1,534,861)	-
-	-	17,550	-
(524)	34,000	33,476	-
-	2,499	9,513	-
-	-	-	9,474
-	-	(576,837)	-
-	-	(102,133)	-
(40,000)	(25,000)	(538,154)	-
(4,200)	(3,100)	(210,383)	-
(553,246)	(377,662)	(2,901,829)	9,474
(76,635)	(85,435)	(387,377)	(73,126)
652,798	487,497	1,756,656	(124,943)
2,848,767	2,691,749	12,737,225	2,598,202
\$3,501,565	\$3,179,246	\$14,493,881	\$2,473,259
\$397,695	\$299,205	\$2,668,864	(\$1,250,405)
394,076	379,947	1,916,822	-
-	238	295	-
28,448	(17,657)	(4,999)	(6,707)
(33,841)	-	(33,841)	-
-	-	(22,353)	-
103	162	686	(6,205,247)
(1,065)	(54,123)	11,526	18,284,889
-	-	382	-
(85)	(128)	(547)	(11,103,605)
387,636	308,439	1,867,971	969,330
\$785,331	\$607,644	\$4,536,835	(\$281,075)
\$50,000	\$416,483	\$466,483	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF FRIDLEY, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2022

	2022
Assets:	
Accounts receivables	\$8,200
Liabilities:	
Accounts payable	8,200
Net Position:	
Restricted	\$ -

CITY OF FRIDLEY, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
For The Year Ended December 31, 2022

	<u>2022</u>
Additions:	
Tax collections from other governments	<u>\$121,695</u>
Total additions	<u>121,695</u>
Deductions:	
Payments of tax to other governments	115,610
Administrative fee	<u>6,085</u>
Total deductions	<u>121,695</u>
Net increase in fiduciary net position	-
Net position - beginning	<u>-</u>
Net position - ending	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.



This page intentionally left blank

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

1. Summary of Significant Accounting Policies

The City of Fridley, Minnesota was incorporated July 1, 1949, under Chapter 410.03 of the Statutes of the State of Minnesota providing for a council-manager form of government under the "Home Rule Charter City" concept. The City provides the following services as authorized by its charter: general administrative services, public safety (police and fire), public improvements, planning and zoning, and culture and recreation.

The financial statements of the City of Fridley, Minnesota have been prepared in conformity with generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Fridley, Minnesota (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units

In conformity with generally accepted accounting principles, the financial statements of the component units have been included in the financial reporting entity as discretely presented component units.

Discretely Presented Component Unit - The Fridley Housing and Redevelopment Authority (HRA) is governed by commissioners appointed by the Fridley City Council. The HRA is responsible for providing housing and redevelopment assistance to the City and its residents. Funding for the various programs administered by the HRA is provided through the issuance of tax increment revenue bonds and general obligation tax increment bonds guaranteed by the City. Separate financial statements are not prepared for the HRA.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental Activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* services debt on the general obligation improvement bonds that were issued to finance construction of public improvements. Special assessment improvements are paid for completely or in part by property owners deemed to have benefited from such improvements.

The *Street Improvements Fund* is used to account for repairs and replacements of city streets and street related equipment such as signs and street lights.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

The *Community Investment Fund* is used to account for capital costs associated with the parks and public utilities maintained by the City.

The *Park Improvements Fund* is used to account for repairs and replacements of city park equipment or park related improvements.

The *CARES/ARPA Fund* is used to account for monies received as a result of the pandemic.

The City reports the following major proprietary funds:

The *Liquor Fund* accounts for operations of the municipal liquor stores.

The *Water Fund* accounts for the water service charges which are used to finance the water system operating expenses.

The *Sewer Fund* accounts for the sewer service charges which are used to finance the sanitary sewer system operating expenses.

The *Storm Water Fund* accounts for storm sewer charges which are used to finance the storm sewer operating expenses.

Additionally, the City reports the following fund types:

Internal Service Funds are used to account for employee fringe benefits, pension benefits, and insurance deductibles that are provided on a cost reimbursement or fee basis to departments or agencies within the City. These funds are essential for segregating costs for determining the total cost of providing a service and for assuring that the goods and services provided are properly utilized.

Fiduciary Funds - Custodial Funds are used to account for monies on behalf of the North Metro Convention and Tourism Bureau.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City of Fridley. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the liquor, water, sewer and storm water enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

D. Budgets

The City Charter grants the City Council full authority over the financial affairs of the City. The City Manager is charged with the responsibility of preparing the estimates of the annual budget and the enforcement of the provisions of the budget as specified in the City Charter. Upon adoption of the annual budget resolution by the Council, it becomes the formal appropriation budget for City operations. All budget adjustments must be approved by the Council. Budgets for the General and select Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted expenditure appropriations lapse at year end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash management.

E. Legal Compliance - Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. The City Council may authorize transfer of budgeted amounts between departments within any fund.
5. Reported budget amounts are as originally adopted or as amended by Council approved transfers. The City Charter limits appropriations to the total estimated revenues and fund balances. If actual revenues exceed the original estimates, appropriations may be increased by the Council up to the amount of revenue increases.
6. All budget amounts lapse at the end of the year to the extent they have not been expended or encumbered. Encumbrances are reappropriated into the following year's budget.
7. Annual budgets are legally adopted for the General Fund and for the following Special Revenue Funds: Cable TV Fund, Solid Waste Abatement Fund, Police Activity Fund, and Springbrook Nature Fund. Formal budgeting integration is employed as a management control device during the year for each of these funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is achieved through the bond indenture provisions. Budgetary control for other Capital Projects Funds is accomplished through the use of project controls.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

8. As required by the City Charter, budgetary control is maintained within department at the departmental level. This is the level of control at which expenditures may not legally exceed appropriations.
9. The General Fund budget includes prior year encumbrances which were reappropriated to the current year. Expenditures for the items encumbered are included in the current year's expenditures.

The following is a listing of funds whose expenditures exceeded budgeted appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount Over Budget</u>
Nonmajor Funds:			
Solid Waste Abatement Fund	\$517,900	\$524,558	\$6,658

F. Cash and Investments

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

Investments are stated at fair value, based upon quoted market prices. Investment income is accrued at the balance sheet date.

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the proprietary funds have original maturities of 90 days or less. Therefore the entire balance in the proprietary funds is considered cash equivalents.

G. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due from/to other funds." All short-term interfund receivables and payables at December 31, 2022 are planned to be eliminated in the subsequent year. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Uncollectible property taxes and special assessments are not material and therefore have not been reported. Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

Government-Wide Financial Statements

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

Governmental Fund Financial Statements

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

H. Special Assessment Revenue Recognition

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with State Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the County in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the City in payment of delinquent special assessments. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Government-Wide Financial Statements

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Governmental Fund Financial Statements

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

I. Inventories

Governmental Funds

Inventories of the general fund are stated at cost, which approximates market, using the first-in, first-out (FIFO) method. The primary government does not maintain material amounts of inventory within the other governmental funds. Inventories of the other governmental funds are recorded as expenditures at the time of purchase.

Proprietary Funds

Liquor fund inventories are valued on the average cost basis. Other proprietary funds inventory items are expensed at the time they are sold or used (consumption method).

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

K. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue/the lessee's usage levels.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the commencement of the lease in an amount equal to the initial recording of the lease receivable and is recognized as revenue over the lease term.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

L. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets such as easements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years and an initial cost of more than the following:

Capitalization Threshold	
Land	\$1
Building and building improvements	\$25,000
Land improvements	\$25,000
Vehicles and equipment	\$10,000
Infrastructure	\$50,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost of the infrastructure to be capitalized to the acquisition year or estimated acquisition year).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government, and the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	
Improvements other than building	10 – 20 years
Buildings and structures	10 – 40 years
Machinery and equipment	3 – 25 years
Infrastructure	15 – 50 years

The City has recorded a right to use leased asset as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives and plus any ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

M. Compensated Absences

All liabilities for compensated absences, both current and long-term, for annual leave, severance and separation pay are accounted for in the Employee Benefit Fund, an Internal Service Fund. Each year compensated absence expenditures and expenses are recorded in the Governmental and Proprietary Funds respectively, equivalent to the full amount accrued by fund employees during the year. These charges are offset by a corresponding transfer of assets from the home department funds to the Employee Benefit Fund to fund the liability. This liability represents the maximum possible dilution of Employee Benefit Fund assets by retirements or extended leaves by employees. The personnel ordinance limits the annual accumulation of benefits that can be accumulated from year-to-year.

N. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Issuance costs are immaterial and are expensed in the year of bond issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. Pursuant to City Council Resolution, the City Manager and/or the Finance Director are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

Q. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. They are the pension and OPEB related deferred outflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position and lease related deferred inflows reported in the government-wide Statements of Net Position and the governmental funds Balance Sheet. The City also has a type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes and special assessments.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

S. Defined Benefit Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this difference are as follows:

Bonds payable	\$76,690,000
Premium on bonds payable	3,416,687
Accrued interest payable	<u>1,278,004</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$81,384,691</u></u>

2. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this difference are as follows:

Capital outlay	\$2,686,883
Depreciation expense	<u>(4,795,561)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>(\$2,108,678)</u></u>

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Another element of that reconciliation states that “revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2021	226,738
At December 31, 2022	(214,706)
Unavailable revenue - special assessments:	
At December 31, 2021	1,226,881
At December 31, 2022	<u>(1,189,938)</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$48,975</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds”. Neither transaction, however, has any effect on net position. The details of this difference are as follows:

Principal repayments	\$2,105,000
Amortization of premium on bonds issuance	200,328
Bond Premium	(1,481,771)
Bond issuance	<u>(20,730,000)</u>
Net adjustment to increase (decrease) net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>(\$19,906,443)</u></u>

2. Deposits and Investments

A. Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State Statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2022, the bank balance of the City's and HRA's deposits were either insured by the Federal Deposit Insurance Corporation (FDIC) or covered by perfected pledged collateral held in the City or HRA's name.

B. Investments

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorized the City to invest in United States securities, state and local securities, commercial paper, time deposits, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trust and guaranteed investment contracts.

As of December 31, 2022 the City's investment balances were as follows:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)	
			Less Than 1	1-5
Federal Farm Credit Bank	AA+	\$2,082,167	\$1,985,033	\$97,134
Federal Home Loan Bank	AA+	3,106,464	1,475,187	1,631,277
Federal National Mortgage Association	AA+	4,561,662	2,099,736	2,461,926
Federal Home Loan Mortgage Corporation	AA+	6,575,849	4,079,482	2,496,367
Local government bonds	AA-AAA, Aaa-Aa3	22,180,223	3,279,308	18,900,915
Inter American Development Bank	AAA	1,377,219	1,377,219	-
International Development Finance Corp	AA+	4,435,782	2,670,568	1,765,214
US Treasuries	A-1+/AA+	16,774,282	8,973,019	7,801,263
Brokered Certificates of Deposits	N/R	3,234,351	1,661,083	1,573,268
Commercial Paper	A-1	397,379	397,379	-
Money market	N/R	6,733,730	6,733,730	-
Total		<u>\$71,459,108</u>	<u>\$34,731,744</u>	<u>\$36,727,364</u>
Total investments		\$71,459,108		
Deposits		2,374,560		
Petty cash		4,900		
Total cash and investments		<u>\$73,838,568</u>		

As of December 31, 2022 the HRA investment balances were as follows:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)	
			Less Than 1	1-5
Federal National Mortgage Association	AA+	\$235,898	\$ -	\$235,898
Federal Home Loan Mortgage Corp	AA+	805,531	376,182	429,349
Local Government Bonds	N/A, AAA, AA1, AA2	2,219,511	457,392	1,762,119
International Development Finance Corp	AA+	1,450,294	1,041,300	408,994
Inter American Development Bank	AAA	245,453	245,453	-
US Treasuries	AA+	6,591,504	2,469,343	4,122,161
Brokered Certificates of Deposits	N/R, AAA	2,166,520	487,448	1,679,072
Money Market	N/R	2,039,556	2,039,556	-
Total		<u>\$15,754,267</u>	<u>\$7,116,674</u>	<u>\$8,637,593</u>
Total investments		\$15,754,267		
Deposits		273,175		
Total cash and investments		<u>\$16,027,442</u>		

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurements as of December 31, 2022:

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Federal Farm Credit Bank	\$2,082,167	\$ -	\$2,082,167	\$ -
Federal Home Loan Bank	3,106,464	-	3,106,464	-
Federal National Mortgage Association	4,561,662	-	4,561,662	-
Federal Home Loan Mortgage Corporation	6,575,849	-	6,575,849	-
Local government bonds	22,180,223	-	22,180,223	-
Inter American Development Bank	1,377,219	-	1,377,219	-
International Development Finance Corp	4,435,782	-	4,435,782	-
US Treasuries	16,774,282	-	16,774,282	-
Brokered Certificates of Deposits	3,234,351	-	3,234,351	-
Commercial Paper	397,379	-	397,379	-
Money market	<u>\$64,725,378</u>	<u>\$ -</u>	<u>\$64,725,378</u>	<u>\$ -</u>
Investments not categorized:				
Money market	<u>6,733,730</u>			
Total	<u>\$71,459,108</u>			

The HRA has the following recurring fair value measurements as of December 31, 2022:

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Federal National Mortgage Association	\$235,898	\$ -	\$235,898	\$ -
Federal Home Loan Mortgage Corp	805,531	-	805,531	-
Local Government Bonds	2,219,511	-	2,219,511	-
International Development Finance Corp	1,450,294	-	1,450,294	-
Inter American Development Bank	245,453	-	245,453	-
US Treasury Note	6,591,504	-	6,591,504	-
Brokered Certificates of Deposits	2,166,520	-	2,166,520	-
Total/Subtotal	<u>\$13,714,711</u>	<u>\$ -</u>	<u>\$13,714,711</u>	<u>\$ -</u>
Investments not categorized:				
Money market	<u>2,039,556</u>			
Total	<u>\$15,754,267</u>			

C. Investment Risks

Custodial credit risk – investments – For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The City policy is to limit its exposure by holding investments in securities with a major bank's corporate trust department. Investments are delivered to the City's trust account and then payment is released to the broker-dealer.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Interest rate risk – Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. The City's investment policy requires the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity. The policy also states the City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. State law limits investments to only those investment instruments authorized by Minnesota Statutes. The City's investment policy does not place further restrictions on investment options.

Concentration of credit risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The City and HRA places no limit on the amount the City or HRA may invest in any one issuer.

Investments in a single issuer exceeding 5% of the City's overall investment portfolio are in various holdings as follows:

Federal National Mortgage Association	6.38%
Federal Home Loan Mortgage Corporation	9.20%
International Development Finance Corp	6.21%
US Treasuries	23.47%
First American Treasury Obligation Fund	7.95%

Investments in a single issuer exceeding 5% of the HRA's overall investment portfolio are in various holdings as follows:

Federal Home Loan Mortgage Corp	5.11%
International Development Finance Corp	9.21%
US Treasuries	41.84%

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

3. Receivables

Significant receivables balances not expected to be collected within one year of December 31, 2022 are as follows:

	Primary Government				
	Major Funds				Total
	General	Debt Service	Street Improvements	Community Investment	
Special assessments receivable	\$36,672	\$110	\$816,019	\$216	\$31,283
Delinquent property taxes	133,272	30,966	-	-	5,162
Lease Receivable	2,136,994	-	-	-	-
	<u>\$2,306,938</u>	<u>\$31,076</u>	<u>\$816,019</u>	<u>\$216</u>	<u>\$3,190,694</u>

4. Lease Receivable

The City leases a portion of city owned sites for antenna rentals as follows:

Tower Leases	Estimated Ending Term **	Estimated Range of Monthly Payments During Lease Term	Annual Adjustment Escalator
Crown Castle - Well #13	11/6/2023	\$8,898 - \$9,343	Greater of 5% or CPI-U
AT&T - Marion Hills	7/1/2025	\$3,374 - \$3,906	Greater of 5% or CPI-U
AT&T - Public Works Garage	11/30/2028	\$3,759 - \$5,037	Greater of 5% or CPI-U
T-Mobile - Marion Hills	6/17/2032	\$3,039 - \$3,705	Greater of 2% or CPI-U up to 5%
T-Mobile - Commons Tower #1	3/28/2030	\$2,919 - \$3,420	Greater of 2% or CPI-U up to 5%
T-Mobile - TH65 Tower #2	2/22/2035	\$2,078 - \$3,460	Greater of 4% or CPI-U
T-Mobile - TH65 Tower #2	10/1/2025	\$3,382 - \$3,915	Greater of 5% or CPI-U
Verizon - Commons Tower #1	6/30/2033	\$3,610 - \$6,175	Greater of 5% or CPI-U
Verizon - TH65 Tower #2	2/13/2034	\$3,610 - \$6,484	Greater of 5% or CPI-U

** This is the period covered in which the lessor believes it is reasonably certain that the lease will be extended thru.

The leases are measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 5.50% which is based on the rate available to finance acquisitions over the same period.

At December 31, 2022, the City recorded \$2,428,744 in leases receivables and deferred inflows of resources for these arrangements.

Total revenue recognized in relation to these leases is as follows:

Amortization of lease-related deferred inflows:	
Site leases	\$226,590
Interest Revenue	<u>128,085</u>
Total revenue recognized in relation to lease assets	<u><u>\$354,675</u></u>

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

5. Unavailable Revenues

Governmental funds report deferred inflows of resources in connection with receivables that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Property Taxes	Special Assessments	Total
Major funds:			
General	\$168,214	\$49,812	\$218,026
Debt Service	40,421	149	40,570
Street Improvements	62	1,097,190	1,097,252
Park Improvements	133	-	133
Community Investment	323	293	616
Nonmajor	5,553	42,494	48,047
	<u>\$214,706</u>	<u>\$1,189,938</u>	<u>\$1,404,644</u>
Total unavailable revenue	<u>\$214,706</u>	<u>\$1,189,938</u>	<u>\$1,404,644</u>

6. Capital and Right to Use Leased Assets

Capital asset and right to use leased asset activity for the year ended December 31, 2022 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$5,502,104	\$ -		\$ -	\$5,502,104
Construction in progress	204,563	2,266,881	(94,966)	-	2,376,478
Total capital assets, not being depreciated	<u>5,706,667</u>	<u>2,266,881</u>	<u>(94,966)</u>	<u>0</u>	<u>7,878,582</u>
Capital assets, being depreciated:					
Buildings and structures	53,582,322	91,751	(17,780)	-	53,656,293
Machinery and equipment	14,129,919	170,381	(86,716)	(51,717)	14,161,867
Improvements	5,429,043	252,836	-	-	5,681,879
Infrastructure	36,468,235	-	(165,624)	-	36,302,611
Total capital assets, being depreciated	<u>109,609,519</u>	<u>514,968</u>	<u>(270,120)</u>	<u>(51,717)</u>	<u>109,802,650</u>
Less accumulated depreciation for:					
Buildings and structures	8,076,988	2,103,354	(17,780)	-	10,162,562
Machinery and equipment	9,160,434	1,179,398	(86,716)	(51,717)	10,201,399
Improvements	1,955,079	302,468	-	-	2,257,547
Infrastructure	21,218,355	1,210,341	(165,624)	-	22,263,072
Total accumulated depreciation	<u>40,410,856</u>	<u>4,795,561</u>	<u>(270,120)</u>	<u>(51,717)</u>	<u>44,884,580</u>
Total capital assets being depreciated - net	<u>69,198,663</u>	<u>(4,280,593)</u>	<u>-</u>	<u>-</u>	<u>64,918,070</u>
Governmental activities capital assets - net	<u>\$74,905,330</u>	<u>(\$2,013,712)</u>	<u>(\$94,966)</u>	<u>\$0</u>	<u>\$72,796,652</u>

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Primary Government	Beginning Balance as restated*	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land	\$699,047	\$ -	\$ -	\$ -	\$699,047
Construction in progress	33,860	556,513	(8,410)	-	581,963
Total capital assets, not being depreciated	732,907	556,513	(8,410)	0	1,281,010
Capital assets, being depreciated and amortized:					
Buildings and structures	9,742,231	129,760	(253,846)	-	9,618,145
Machinery and equipment	4,694,565	109,103	(122,559)	51,717	4,732,826
Infrastructure	47,410,963	1,088,899	-	-	48,499,862
Right to use leased assets	919,604	-	-	-	919,604
Total capital assets, being depreciated and amortized	62,767,363	1,327,762	(376,405)	51,717	63,770,437
Less accumulated depreciation and amortization for:					
Buildings and structures	3,935,188	453,238	(253,846)	-	4,134,580
Machinery and equipment	3,844,018	215,172	(122,559)	51,717	3,988,348
Infrastructure	28,069,844	1,113,836	-	-	29,183,680
Right to use leased assets	-	134,576	-	-	134,576
Total accumulated depreciation and amortization	35,849,050	1,916,822	(376,405)	51,717	37,441,184
Total capital assets being depreciated and amortized - net	26,918,313	(589,060)	-	-	26,329,253
Business-type activities capital assets - net	\$27,651,220	(\$32,547)	(\$8,410)	\$0	\$27,610,263

*For the year ended December 31, 2022, the entity implemented GASB 87. In accordance with the requirements of GASB 87, the beginning balances here reflect a restatement as of January 1, 2022.

The City has recorded 1 right to use leased asset for building space. The related lease is discussed in the Long-Term Liabilities footnote disclosure.

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$920,050
Public safety	1,106,930
Public works, including depreciation of general infrastructure assets	2,415,405
Community development	20,853
Parks and recreation	332,323
Total - governmental activities	<u>\$4,795,561</u>
Business-type activities:	
Liquor	\$179,886
Water	962,913
Sewer	394,076
Storm water	379,947
Total - business-type activities	<u>\$1,916,822</u>

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

7. Long-Term Liabilities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

As of December 31, 2022, the long-term bonded debt of the City consisted of the following:

Governmental Activities:

\$49,130,000 General Obligation Improvement Bonds, Series 2017A due in varying annual installments of \$1,060,000 - \$2,925,000 through February 1, 2042; interest at 3.00% - 5.00%	\$43,245,000
\$9,510,000 General Obligation Tax Increment Bonds, Series 2019A due in varying annual installments of \$930,000- \$1,150,000 beginning February 1, 2027 through February 1, 2035; interest at 2.125% - 5.00%	9,510,000
\$4,540,000 General Obligation Tax Increment Bonds, Series 2020A due in varying annual installments of \$630,000- \$860,000 beginning February 1, 2021 through February 1, 2026; interest at 5.00%	3,205,000
\$20,730,000 General Obligation Tax Abatement bonds, Series 2022A due in varying installments of \$965,000 - \$1,855,000, beginning February 1, 2024 through February 1, 2038; interest at 4.00% - 5.00%	20,730,000
Unamortized premium	<u>3,416,687</u>
Subtotal governmental activities	<u>80,106,687</u>

Business-Type Activities:

\$5,995,000 General Obligation Water Revenue Bonds of 2016A due in varying annual installments of \$275,000 - \$575,000 through February 1, 2031; interest at 2.00% - 2.25%	3,015,000
Unamortized premium	<u>96,669</u>
Subtotal business-type activities	<u>3,111,669</u>
Total primary government	<u><u>\$83,218,356</u></u>

Lease agreements that qualify as other than short-term leases under GASB 87 have been recorded at the present value of the future minimum lease payments as of the date of lease commencement.

The City has entered into an agreement to lease building space. The lease requires 82 monthly lease payments that range from \$12,153 - \$13,975. The lease liability is measured at a discount rate of 5.50%, which is the City's incremental borrowing rate. The lease requires the City to pay a portion of the operating costs of the building. As a result of the lease, the City has recorded a right to use asset with a net book value of \$785,028 on December 31, 2022.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Total expense related to the leased asset for the year ended December 31, 2022 is as follows:

Amortization expense on building space	\$134,576
Variable lease expense	86,530
Interest on lease liabilities	<u>43,707</u>
Total expense recognized in relation to leased assets	<u><u>\$264,813</u></u>

Annual debt service requirements to maturity for general obligation and revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	\$107,116	\$42,370	\$149,486
2024	131,927	35,777	167,704
2025	139,369	28,335	167,704
2026	147,230	20,474	167,704
2027	155,535	12,169	167,704
2028	<u>136,294</u>	<u>3,459</u>	<u>139,753</u>
Total	<u><u>\$817,471</u></u>	<u><u>\$142,584</u></u>	<u><u>\$960,055</u></u>

The future minimum lease obligation and the net present value of the minimum lease payments as of December 31, 2022 was as follows:

Year Ending December 31,	Primary Government							
	Governmental Activities						Business-Type Activities	
	G.O. Improvement		G.O. Tax Increment		G.O. Tax Abatement		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$1,465,000	\$1,526,238	\$745,000	\$390,413	\$ -	\$1,030,880	\$575,000	\$55,362
2024	1,535,000	1,451,238	780,000	352,288	965,000	942,325	285,000	46,763
2025	1,615,000	1,372,488	820,000	312,288	1,015,000	892,825	290,000	41,012
2026	1,695,000	1,289,738	860,000	270,288	1,065,000	840,825	295,000	35,163
2027	1,780,000	1,211,763	930,000	225,538	1,120,000	786,200	300,000	29,212
2028	1,850,000	1,139,163	975,000	177,912	1,175,000	728,825	310,000	23,113
2029	1,925,000	1,073,288	1,025,000	143,287	1,230,000	668,700	315,000	16,862
2030	1,985,000	1,014,637	1,045,000	122,587	1,295,000	605,575	320,000	10,512
2031	2,040,000	954,263	1,065,000	101,487	1,360,000	539,200	325,000	3,656
2032	2,105,000	890,771	1,085,000	79,987	1,425,000	469,575	-	-
2033	2,170,000	822,619	1,105,000	58,087	1,500,000	396,450	-	-
2034	2,240,000	750,956	1,130,000	35,737	1,575,000	319,575	-	-
2035	2,315,000	676,937	1,150,000	12,219	1,650,000	247,200	-	-
2036	2,390,000	600,481	-	-	1,715,000	179,900	-	-
2037	2,465,000	520,047	-	-	1,785,000	109,900	-	-
2038	2,550,000	433,825	-	-	1,855,000	37,100	-	-
2039	2,640,000	343,000	-	-	-	-	-	-
2040	2,730,000	249,025	-	-	-	-	-	-
2041	2,825,000	151,812	-	-	-	-	-	-
2042	2,925,000	51,188	-	-	-	-	-	-
Total	<u>\$43,245,000</u>	<u>\$16,523,477</u>	<u>\$12,715,000</u>	<u>\$2,282,118</u>	<u>\$20,730,000</u>	<u>\$8,795,055</u>	<u>\$3,015,000</u>	<u>\$261,655</u>

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Beginning Balance as restated*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
G.O. improvement bonds	\$44,495,000	\$ -	(\$1,250,000)	\$43,245,000	\$1,465,000
G.O. tax increment bonds	13,420,000	-	(705,000)	12,715,000	745,000
G.O. tax abatement bonds	-	20,730,000	-	20,730,000	-
G.O. equipment certificates	150,000	-	(150,000)	-	-
Total bonds payable	58,065,000	20,730,000	(2,105,000)	76,690,000	2,210,000
Bond issuance premium/discount	2,135,244	1,481,771	(200,328)	3,416,687	-
Compensated absences**	1,148,400	66,523	-	1,214,923	839,664
Total governmental activities long-term debt	<u>\$61,348,644</u>	<u>\$22,278,294</u>	<u>(\$2,305,328)</u>	<u>\$81,321,610</u>	<u>\$3,049,664</u>
Business-type activities:					
Bonds payable:					
G.O. revenue bonds	\$3,580,000	\$ -	(\$565,000)	\$3,015,000	\$575,000
Bond issuance premium/discount	108,506	-	(11,837)	96,669	-
Lease liability	919,604	-	(102,133)	817,471	107,115
Total business-type activities long-term debt	<u>\$4,608,110</u>	<u>\$0</u>	<u>(\$678,970)</u>	<u>\$3,929,140</u>	<u>\$682,115</u>

*For the year ended December 31, 2022, the entity implemented GASB 87. In accordance with the requirements of GASB 87, the beginning balances here reflect a restatement as of January 1, 2022.

**The change in compensated absences is presented at the net amount.

All long-term bonded indebtedness outstanding at December 31, 2022 is backed by the full faith and credit of the City, including improvement and revenue bond issues. Delinquent assessments receivable at December 31, 2022 totaled \$28,080

Revenues Pledged

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged				Remaining Principal	Current Year	
		Type	Percent of total debt service	Debt service as a % of net revenues	Term of Pledge		Principal and Interest paid	Pledged Revenue received
2022A	Park Improvements	Property Taxes	100%	-	2020-2038	\$20,730,000	\$ -	\$ -
2020A	Housing Redevelopment	Tax Increment	100%	99.8%	2020-2026	3,205,000	882,875	884,462
2019A	Housing Redevelopment	Tax Increment	100%	98.5%	2020-2035	9,510,000	248,788	252,468
2017A	Building Improvements	Property Taxes	100%	90.0%	2017-2042	43,245,000	2,844,113	3,156,703
2012A	Capital Equipment	Property Taxes	100%	-	2013-2022	-	151,238	-
2016A Water Revenue Bonds	Infrastructure Improvements	Water Customer Net Revenue	100%	11.70%	2016-2031	3,015,000	631,763	4,545,403

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

8. Defined Benefit Pension Plans

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time (with the exception of employees covered by PEPFF) and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. PEPFF Benefits

Benefits for PEPFF members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2020, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERS Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GERS for the year ended December 31, 2022, were \$569,464. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70% for Police and Fire plan members. The City's contributions to the PEPFF for the year ended December 31, 2022, were \$903,357. The City's contributions were equal to the required contributions as set by state statute.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

D. Pension Costs

1. GERS Pension Costs

At December 31, 2022, the City reported a liability of \$7,777,472 for its proportionate share of GERS's net pension liability. The City net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$228,060.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0982% at the end of the measurement period and 0.0987% for the beginning of the period.

City's proportionate share of the net pension liability	\$7,777,472
State of Minnesota's proportionate share of the net pension liability associated with the City	228,060
Total	<u>\$8,005,532</u>

For the year ended December 31, 2022, the City recognized pension expense of \$1,034,986 for its proportionate share of the GERS's pension expense. In addition, the City recognized an additional \$34,077 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERS.

At December 31, 2022, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$64,963	\$83,063
Changes in actuarial assumptions	1,760,183	31,552
Net collective difference between projected and actual investment earnings	134,499	-
Changes in proportion	151,894	21,801
Contributions paid to PERA subsequent to the measurement date	289,986	-
Total	<u>\$2,401,525</u>	<u>\$136,416</u>

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

The \$289,986 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2023	\$766,819
2024	760,066
2025	(255,118)
2026	703,356
Thereafter	-
	\$1,975,123

2. PEPFF Pension Costs

At December 31, 2022, the City reported a liability of \$17,615,297 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.4048% at the end of the measurement period and 0.3895% for the beginning of the period.

The State of Minnesota also contributed \$18 million to PEPFF during the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The direct state aid was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the PEPFF Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. PEPFF employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$1,336,725 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized an additional \$149,275 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the PEPFF.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$36,432 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$1,077,186	\$ -
Changes in actuarial assumptions	10,369,316	107,548
Net collective difference between projected and actual investment earnings	242,292	-
Changes in proportion	387,446	209,473
Contributions paid to PERA subsequent to the measurement date	453,499	
Total	<u>\$12,529,739</u>	<u>\$317,021</u>

The \$453,499 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2023	\$2,448,099
2024	2,205,686
2025	1,984,816
2026	3,625,984
2027	1,494,634
Thereafter	-
	<u>\$11,759,219</u>

The net pension liability will be liquidated by the general, water, sewer, storm water and liquor funds.

E. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Investment Rate of Return	6.50%

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

The long-term investment rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

Benefit increases after retirement are assumed to be 1.25% for the GERS. The PEPFF benefit increase is fixed at 1.00% per year and that increase was used in the valuation.

Salary growth assumptions in the GERS range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the PEPFF, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for GERS were based on the Pub-2010 General Employee Mortality Table. Mortality rates for PEPFF were based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for GERS are reviewed every four years. The most recent four-year experience study for GERS was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for PEPFF was completed in 2020 and adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The single discount rate was changed from 6.50% to 4.50%.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%
Total	100%	

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

F. Discount Rate

The discount rate for the GERP used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERP was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the PEPFF was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (5.5%)</u>	<u>Discount Rate (6.5%)</u>	<u>1% Increase in Discount Rate (7.5%)</u>
City's Proportionate share of the GERP net pension liability	\$12,284,925	\$7,777,472	\$4,080,666
	<u>1% Decrease in Discount Rate (4.4%)</u>	<u>Discount Rate (5.4%)</u>	<u>1% Increase in Discount Rate (6.4%)</u>
City's Proportionate share of the PEPFF net pension liability	\$26,658,493	\$17,615,297	\$10,304,415

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

I. Pension Expense

Pension expense recognized by the City for the year ended December 31, 2022 is as follows

GERF	\$1,069,063
PEPFF	<u>1,486,000</u>
Total	<u><u>\$2,555,063</u></u>

9. Defined Contribution Plan

Five Council members of the City of Fridley are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2022 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>	<u>Employer</u>	<u>Required Rate</u>
<u>Employee</u>	<u>Employer (Pension Expense)</u>			
\$2,138	\$2,138	5%	5%	5%

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

10. Defined Contribution Pension Plan - Fridley Volunteer Firefighters Relief Association

Plan Description

The Fridley Volunteer Firefighters Relief Association (Association), is a single employer public employee retirement system that acts as a common investment administrator for all of the City's firefighters. Pursuant to a 1987 amendment to its by-laws, the pension plan is a defined contribution plan, prior to 1987 the pension plan was a defined benefit pension plan.

Benefits and contribution requirements are established by the Association's by-laws and can be amended by the Association's Board of Trustees with approval from the City of Fridley, Minnesota. All provisions are within limitations established by Minnesota Statutes.

Type of Benefit

The exclusive pension provided by the Association is a "Defined Contribution Lump Sum Service Pension," as defined in Minnesota Statutes §424A.02, Subdivision 4.

Contribution Made

The City collected and remitted \$199,515 and \$184,950 in State Aid to the Association for December 31, 2022 and 2021, respectively. This transaction is recorded as revenue and expenditures in the City's financial statements.

During 2022 and as of December 31, 2022, the Association held no securities issued by the City or other related parties.

11. Post-Employment Benefits Other Than Pensions (OPEB)

A. Plan Description

In addition to providing the pension benefits described in Notes 8 and 9, the City provides post employment health care benefits, as defined in paragraph B, through its group health insurance plan (the plan). The plan is a single-employer defined benefit OPEB plan administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Covered spouses may continue coverage after the retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

The City provides health coverage for peace officers or firefighters disabled or killed in the line of duty in accordance with Minnesota Statute 299A.465. The amount of coverage provided is equal to the employer portion of health insurance premiums that would have otherwise been paid if the officer or firefighter was an active employee. During 2022, benefits were provided to four officers disabled in the line of duty.

All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65, Medicare becomes the primary insurer.

C. Participants

As of the January 1, 2021 actuarial valuation date, participants of the plan consisted of:

Active employees	146
Inactive employees or beneficiaries currently receiving benefits	4
Total	<u>150</u>

D. Total OPEB Liability and Changes in Total OPEB Liability

The City's total OPEB liability of \$1,542,143 was measured as of January 1, 2022 and was determined by an actuarial valuation as of January 1, 2021. Changes in the total OPEB liability during 2022 were:

Balance - beginning of year	\$1,509,036
Changes for the year:	
Service cost	41,774
Interest cost	30,625
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(39,292)
Net changes	<u>33,107</u>
Balance - end of year	<u>\$1,542,143</u>

There were no plan changes since the measurement date of January 1, 2022.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

E. Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	service graded increases ranging from 3% - 12.25%
Discount rate	2.00%
20-year municipal bond yield	2.00%
Healthcare cost trend rates	6.25% in 2022 grading to 5.00% over 5 years and then 4.00% over the next 48 years
Retirees' share of benefit-related costs	100%

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return was based on published rate information for 20-year high quality, tax exempt, general obligation municipal bonds as of the measurement date.

Mortality rates were based on the Pub-2010 Public Retirement Plan Headcount – weighted mortality tables (General, Safety) with MP-2020 Generational Improvement Scale. The actuarial assumptions (retirement withdrawal) used in the January 1, 2022 valuation are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

There were no changes in assumptions and other inputs since the prior measurement date.

F. Sensitivity of the Total OPEB Liability to Changes in The Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.00%) or 1% higher (3.00%) than the current discount rate:

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$1,723,412	\$1,542,143	\$1,384,473

G. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 4.00% over 5 years and then to 3% over the next 48 years) or 1% higher (7.25% decreasing to 6.00% over 5 years and then to 5% over the next 48 years) than the current healthcare cost trend rates:

	1% Decrease (5.25% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% decreasing to 5.00%)	1% Increase (7.25% decreasing to 6.00%)
Total OPEB liability	\$1,358,410	\$1,542,143	\$1,756,802

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

H. OPEB Expense and Deferred Outflows and Inflows of Resources Related To OPEB

For the year ended December 31, 2022, the City recognized \$110,339 of OPEB expense. At December 31, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$172,610	\$204,570
Changes in actuarial assumptions	200,400	30,513
Contributions subsequent to the measurement date	54,737	-
Total	<u>\$427,747</u>	<u>\$235,083</u>

\$54,737 reported as deferred outflows of resources related to OPEB resulting from City contributions after the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	OPEB Expense
2023	\$37,941
2024	37,941
2025	37,941
2026	37,941
2027	2,416
Thereafter	(16,253)

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

12. Interfund Receivables, Payables and Transfers

Interfund payables and receivables are representative of lending/borrowing arrangements to cover deficit cash balances (unless otherwise indicated below) at the end of the fiscal year.

Interfund receivables and payables of the City are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due From/Due To:		
Major Funds:		
General Fund (2)	\$15,373	\$ -
Community Investment (1) (3)	3,544,365	
Water (1) (3)	-	3,244,365
Sewer (3)	-	170,000
Storm Water (3)	-	130,000
Nonmajor Governmental Funds:		
Police Activity (2)	-	15,373
Total	<u>\$3,559,738</u>	<u>\$3,559,738</u>

(1) Interfund loan from Community Investment Fund to Water Fund to support capital costs related to the Locke Park Water Treatment Improvement Project Balance was \$2,629,365 at December 31, 2022.

(2) Interfund receivables and payables that relate to lending/ borrowing arrangements to cover deficit cash balances.

(3) Interfund loan from Community Investment Fund to Water, Sewer, and Storm Water Funds to pay off the 2010A revenue bond to save on interest expense. Balance is \$915,000 at December 31, 2022.

Interfund receivables and payables of the HRA component unit at December 31, 2022 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due From/Due To:		
Major Funds:		
General Fund	\$9,731,717	\$ -
Lake Pointe	-	160,303
Gateway Northeast	-	2,458,986
BAE Hazardous Sub District	-	2,471,857
Locke Point Park	-	4,295,325
Nonmajor Governmental Funds:		
Gateway East	-	121,032
Gateway West	-	190,594
Northern Stacks VIII	-	7,767
Holly Center	-	25,853
Total	<u>\$9,731,717</u>	<u>\$9,731,717</u>

The above balances are not expected to be eliminated within one year of December 31, 2022.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Interfund Transfers:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
Major Funds:		
General Fund (3) (4) (5)	\$259,715	\$ -
Street Improvements (2) (5)	-	103,800
Community Investment (3)	-	100,000
Park Improvements (1) (4)	100,000	67,415
Nonmajor Governmental Funds:		-
Capital Equipment (2)	250,000	
Total governmental funds	<u>609,715</u>	<u>271,215</u>
Proprietary Funds:		
Liquor (2) (3)	<u>-</u>	<u>338,500</u>
Total	<u>\$609,715</u>	<u>\$609,715</u>

(1) Transfer of \$100,000 from Community Investment to finance park improvements.

(2) Transfer from Liquor fund to Capital Equipment (\$250,000).

(3) Transfer of \$100,000 and \$88,500 from Community Investment to finance park improvements and General Fund activities.

(4) Transfer of \$67,415 from the Park Improvements Fund to the General Fund cover employee time spent on park improvements

(5) Transfer of \$103,800 from the Street Improvements Fund to finance General Fund activities.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

13. Fund Balance

A. Fund Balance Classifications

At December 31, 2022, a summary of the governmental fund balance classifications are as follows:

	General	Debt Service	Street Improvements	Community Investment	Park Improvements	CARES/ ARPA	Other Governmental	Total City	Component Unit
Nonspendable:									
Inventory	\$74,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$74,250	\$ -
Prepaid items	151,168	-	-	-	-	-	-	151,168	-
Mortgage loan receivable	-	-	-	-	-	-	-	-	2,968,421
Total nonspendable	225,418	-	-	-	-	-	-	225,418	2,968,421
Restricted for:									
Donations	58,765	-	-	-	-	-	2,218	60,983	-
Debt service	-	3,766,432	-	-	-	-	-	3,766,432	-
Tax increment	-	-	-	-	-	-	-	-	5,527,421
Police forfeitures	-	-	-	-	-	-	117,334	117,334	-
Cable television equipment	-	-	-	-	-	-	67,379	67,379	-
Unspent bond proceeds	-	-	-	-	21,183,039	-	-	21,183,039	-
Total restricted	58,765	3,766,432	-	-	21,183,039	-	186,931	25,195,167	5,527,421
Committed to:									
Cable television programming	-	-	-	-	-	-	1,060,217	1,060,217	-
Recycling programs	-	-	-	-	-	-	86,769	86,769	-
Nature Center activities	-	-	-	-	-	-	228,897	228,897	-
Community investment	-	-	-	13,082,582	-	-	-	13,082,582	-
Police activity	-	-	-	-	-	-	22,599	22,599	-
Capital equipment	-	-	-	-	-	-	2,005,625	2,005,625	-
Emergency reserves	-	-	-	-	-	-	36,314	36,314	-
Housing loan program	-	-	-	-	-	-	-	-	951,769
Total committed	-	-	-	13,082,582	-	-	3,440,421	16,523,003	951,769
Assigned to:									
Capital improvements	-	-	2,529,230	-	2,152,149	-	2,156,837	6,838,216	-
Unassigned	10,563,650	(52,988)	-	-	-	(13,792)	-	10,496,870	8,892,347
Total	\$10,847,833	\$3,713,444	\$2,529,230	\$13,082,582	\$23,335,188	(\$13,792)	\$5,784,189	\$59,278,674	\$18,339,958

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes. The City's policy for unassigned funds in the General Fund is equal to 35% - 50% of the following year General Fund expenditures.

At December 31, 2022, the unassigned fund balance of the General Fund was \$10,563,650, compared to its targeted unassigned fund balance of between \$7,369,075 and \$10,527,250.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

14. Tax Increment Districts

The HRA is the administering authority for the following Tax Increment Districts:

Year Established	District	District Name	Tax Capacity Values			Fiscal Disparity Adjustments	Retained By Authority
			Current	Original	Captured		
1985	6	Lake Pointe	\$1,361,732	\$326,940	\$1,034,792	\$ -	\$1,034,792
1995	13	Satellite Lane Apartments	60,660	1,403	59,257	-	59,257
2000	17	Gateway East	64,061	3,147	60,914	-	60,914
2007	18	Gateway West	67,672	4,430	63,242	-	63,242
2007	19	Main Street	277,916	45,628	232,288	-	232,288
2013	20	TIF 20 HSS 20A	2,994,812	278,938	2,715,874	-	2,715,874
2009	21	Gateway Northeast	95,613	28,419	67,194	-	67,194
2013	22	Northstar Transit Station	2,354,626	518,602	1,836,024	-	1,836,024
2017	23	Locke Point Park	405,506	63,447	342,059	-	342,059
2018	24	Northern Stacks VIII	292,652	115,566	177,086	-	177,086
2020	25	Holly Center	314,936	7,049	307,887	-	307,887
2017	HR1/V5	Housing Replacement	3,386	208	3,178	-	3,178
1995	HR1/V6	Housing Replacement	6,992	316	6,676	-	6,676
1995	HR1/V9	Housing Replacement	3,542	286	3,256	-	3,256
1995	HR1/W1	Housing Replacement	3,433	357	3,076	-	3,076
1995	HR1/W2	Housing Replacement	3,198	286	2,912	-	2,912
1995	HR1/W6	Housing Replacement	10,460	516	9,944	-	9,944
1995	HR1/W7	Housing Replacement	3,677	170	3,507	-	3,507
1995	HR1/X8	Housing Replacement	7,424	503	6,921	-	6,921
2017	HR1/X9	Housing Replacement	4,472	164	4,308	-	4,308
1995	HR1/Y1	Housing Replacement	3,443	201	3,242	-	3,242
1995	HR1/Y2	Housing Replacement	3,737	181	3,556	-	3,556
2017	HR1/Y5	Housing Replacement	4,316	328	3,988	-	3,988
2015	HR1/Y4	Housing Replacement	3,912	251	3,661	-	3,661
2020	HR1/AA5	Housing Replacement	4,243	295	3,948	-	3,948
2020	HR1/AA7	Housing Replacement	4,235	299	3,936	-	3,936
2021	HR1/BB3	Housing Replacement	4,919	547	4,372	-	4,372
2021	HR1/BB4	Housing Replacement	4,138	350	3,788	-	3,788
Totals			<u>\$8,369,713</u>	<u>\$1,398,827</u>	<u>\$6,970,886</u>	<u>\$ -</u>	<u>\$6,970,886</u>

15. Commitments and Contingencies

A. Risk Managements

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1987, the City established the Self Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is subject to a \$25,000 deductible.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Property and casualty insurance coverage is provided through a pooled self-insurance program through LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. For property (other than vehicles for which the City is self-insured) and casualty coverage, the City has a \$75,000 deductible per occurrence with a \$150,000 annual maximum. This deductible gets paid out of the Self-Insurance Fund as necessary.

The City continues to carry commercial insurance for all other risks of loss, including employee health and disability insurance.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

In 1990, the General Fund contributed \$1,000,000 to the Self Insurance Fund in lieu of the Self Insurance Fund charging losses back to each fund.

There is no recorded liability for unpaid claims because the amount of such claims, if any, is considered to be immaterial.

As of December 31, 2022, the Self Insurance Fund has accumulated equity in the amount of \$841,968 to cover future claims and losses.

B. Litigation

The City attorney and management has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City attorney and management, remotely recoverable by plaintiffs.

C. Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2022.

D. Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

E. Tax Abatements – Pay-As-You-Go Tax Increment

The HRA provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

The HRA has five tax increment pay-as-you-go agreements. The agreements are not a general obligation of the HRA and are payable solely from available tax increment. Accordingly, these agreements are not reflected in the financial statements of the HRA. Details of the pay-as-you-go notes are as follows:

TIF District #6, Lake Pointe (Medtronic):

Issued in 2001 in the principal sum of \$20,000,000 with an interest rate of 6.75% per annum. Principal and interest shall be paid on August 1, 2001 and each February 1 and August 1 thereafter to and including March 1, 2026. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the HRA. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for public improvements. The HRA shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on March 1, 2026. The current year abatement (TIF note payments) amounted to \$527,281. At December 31, 2022, the principal amount outstanding on the note was \$20,000,000.

TIF District #19, Main Street:

Issued in 2008 in the principal sum of \$1,500,000 with an interest rate of 7.00% per annum. Principal and interest shall be paid on August 1, 2009 and each February 1 and August 1 thereafter to and including February 1, 2025. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the HRA. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for certain public redevelopment costs. The current year abatement (TIF note payments) amounted to \$127,137. At December 31, 2022, the principal amount outstanding on the note was \$1,500,000.

TIF District #22, Northstar – Fridley Senior Apartments

Issued in 2021 in the principal sum of \$3,204,650 with an interest rate of 5.00% per annum. Principal and interest shall be paid on August 1, 2022, and each February 1 and August 1 thereafter to and including February 1, 2043. Payments are solely from available tax increment derived from developed/redeveloped property and paid to the HRA. The pay-as-you-go note provides for payment to the developer equal to 90% of all increments received in the prior six months. The HRA shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2043. Current year abatement (TIF note payments) amounted to \$242,219. At December 31, 2022, the balance outstanding was \$3,204,650.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

TIF District #22, Fridley Market Apartments

Issued in 2021 in the principal sum of \$2,845,250 with an interest rate of 5.00% per annum. Principal and interest shall be paid on August 1, 2022, and each February 1 and August 1 thereafter to and including February 1, 2043. Payments are solely from available tax increment derived from developed/redeveloped property and paid to the HRA. The pay-as-you-go note provides for payment to the developer equal to 90% of all increments received in the prior six months. The HRA shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2043. Current year abatement (TIF note payments) amounted to \$282,294. At December 31, 2022, the balance outstanding was \$2,832,465.

TIF District #24, Northern Stacks Phase VIII:

Issued in 2018 in the principal sum of \$660,000 with an interest rate of 5.75% per annum. Principal and interest shall be paid on August 1, 2020 and each February 1 and August 1 thereafter to and including February 1, 2042. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the HRA. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. The HRA shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2042. Current year abatement (TIF note payments) amounted to \$41,607. At December 31, 2022, the principal amount outstanding on the note was \$645,676.

16. Conduit Debt Obligation

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2022, there are four series outstanding issued after July 1, 1995 with an aggregate principal amount payable of \$43,983,624.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

17. Deficit Fund Balances

At December 31, 2022, individual funds with a deficit fund balance are as follows:

Primary government:	
Governmental Funds	
CARES/ARPA	(\$13,792)
Internal Service Fund:	
Employee Benefits	(10,685,970)
Component unit:	
Gateway Northeast	(\$2,458,986)
BAE Hazardous Sub District	(2,468,255)
Locke Point Park	(4,292,484)
Lake Pointe	(160,169)
Gateway East	(121,032)
Gateway West	(190,594)
Northern Stacks VIII	(28,570)
Holly Center	(25,853)

18. Contingent Receivable

In 1999, the HRA entered into an agreement with Medtronic for the sale of land from the HRA to Medtronic. The original principal amount of the receivable was \$5,000,000 and the outstanding balance at December 31, 2022 is \$2,957,432. Interest is added quarterly at a rate of 8.25%. Payments on the note receivable are made in an amount equal to 11.11% of tax increment note payments received by Medtronic through 2013, and 22.22% of tax increment note payments receivable from 2013 through 2026.

19. Construction Commitments

At December 31, 2022, the City had construction project contracts in progress. The commitments related to the remaining contract balances amounted to \$786,447.

20. Adoption of New Accounting Standard

The City implemented GASB statement No. 87 for the year ended December 31, 2022. As a result, a lease receivable and deferred inflows of resources are reported on the Statement of Net Position for the government-wide financial statements and the Balance Sheet for the governmental funds financial statements. Additionally, a right to use leased asset and lease liability was added to the Statement of Net Position for the government-wide and proprietary funds financial statements. The standard was implemented as of January 1, 2022 and had no impact on the prior year fund balance or net position.

THE CITY OF FRIDLEY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

21. Prior Period Adjustment

During the 2022 audit, it was determined that the City should have recognized \$50,000 of revenue from a developer's deposit that assisted in financing a City project that was substantially completed and therefore earned in 2021. Below is the impact of the prior period adjustment:

	<u>Storm Water Fund</u>	<u>Businss-Type Activities</u>
Fund balance - January 1, 2022, as previously reported	\$10,389,410	\$35,293,914
Prior period adjustment:		
Revenue unearned in prior year	<u>50,000</u>	<u>50,000</u>
Net position/fund balance - January 1, 2022 as restated	<u>\$10,439,410</u>	<u>\$35,343,914</u>

22. Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96 *Subscription – Based Information Technology Arrangements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 99 *Omnibus 2022*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 100 *Accounting Changes and Error Corrections* - an amendment to GASB Statement No. 62. The provisions of this Statement are effective for reporting periods beginning after June 15, 2023.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 96 may have a material impact.

23. Subsequent Events and Uncertainties

Subsequent events have been evaluated for recognition or disclosure through June 5, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2022

	2022			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Taxes and special assessments:				
Current ad valorem taxes	\$13,614,500	\$13,614,500	\$13,641,483	\$26,983
Delinquent ad valorem taxes-net of abatements	14,800	14,800	8,406	(6,394)
Penalties and interest	8,100	8,100	16,973	8,873
Special assessments	22,900	22,900	92,978	70,078
Total taxes and special assessments	13,660,300	13,660,300	13,759,840	99,540
Licenses and permits:				
Licenses:				
Rental	175,000	175,000	179,052	4,052
Business	79,200	79,200	75,440	(3,760)
All other	36,600	36,600	30,138	(6,462)
Permits	893,200	893,200	565,338	(327,862)
Total licenses and permits	1,184,000	1,184,000	849,968	(334,032)
Intergovernmental revenue:				
Federal grants	165,000	165,000	166,072	1,072
State maintenance aid	446,500	446,500	484,832	38,332
Local grants	671,800	671,800	678,447	6,647
Other state grants	194,700	244,700	203,008	(41,692)
Police and fire pension	572,000	649,000	656,150	7,150
Total intergovernmental revenue	2,050,000	2,177,000	2,188,509	11,509
Charges for services:				
General government	1,245,000	1,245,000	1,256,560	11,560
Public safety	354,500	539,500	524,717	(14,783)
Public works	411,700	411,700	287,352	(124,348)
Community development	41,400	224,400	210,486	(13,914)
Recreation	159,500	159,500	142,951	(16,549)
Total charges for services	2,212,100	2,580,100	2,422,066	(158,034)
Fines and forfeits	158,600	158,600	120,612	(37,988)
Investment income:				
Interest and dividends	101,300	101,300	225,682	124,382
Net change in the fair value of investments	-	-	(334,693)	(334,693)
Total investment income	101,300	101,300	(109,011)	(210,311)
Miscellaneous revenue:				
Insurance and other reimbursements	20,300	20,300	61,872	41,572
Gambling tax	35,000	35,000	54,121	19,121
Donations	7,300	7,300	56,197	48,897
Miscellaneous	12,700	87,700	115,629	27,929
Total miscellaneous revenue	75,300	150,300	287,819	137,519
Total revenues	19,441,600	20,011,600	19,519,803	(491,797)

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2022

	2022			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures:				
General government:				
City management:				
Mayor and council:				
Current:				
Personnel services	\$89,300	\$89,300	\$89,644	(\$344)
Supplies and other charges	76,200	76,200	57,863	18,337
Total mayor and council	165,500	165,500	147,507	17,993
City manager:				
Current:				
Personnel services	353,900	356,900	372,571	(15,671)
Supplies and other charges	23,100	23,100	18,946	4,154
Total city manager	377,000	380,000	391,517	(11,517)
Employee resources:				
Current:				
Personnel services	334,900	345,900	310,150	35,750
Supplies and other charges	61,900	61,900	35,201	26,699
Total employee resources	396,800	407,800	345,351	62,449
Legal:				
Current:				
Supplies and other charges	406,600	406,600	388,790	17,810
Elections:				
Current:				
Personnel services	65,000	65,000	47,044	17,956
Supplies and other charges	33,800	33,800	16,343	17,457
Total elections	98,800	98,800	63,387	35,413
Communications and engagement				
Current:				
Personnel services	196,600	196,600	161,144	\$35,456
Supplies and other charges	74,200	74,200	56,574	17,626
Total communications and engagement	270,800	270,800	217,718	53,082
City clerk/records:				
Personnel services	139,600	152,600	170,827	(18,227)
Supplies and other charges	9,600	9,600	16,353	(6,753)
Total city clerk/records	149,200	162,200	187,180	(24,980)
Total city management	1,864,700	1,891,700	1,741,450	150,250
Finance:				
Accounting:				
Current:				
Personnel services	608,400	608,400	600,088	8,312
Supplies and other charges	108,900	112,900	97,171	15,729
Total accounting	717,300	721,300	697,259	24,041
Assessing:				
Current:				
Personnel services	275,900	280,900	273,618	7,282
Supplies and other charges	15,800	15,800	15,475	325
Total assessing	291,700	296,700	289,093	7,607
ITS:				
Current:				
Personnel services	367,800	397,800	350,944	46,856
Supplies and other charges	279,300	279,300	329,687	(50,387)
Total ITS	647,100	677,100	680,631	(3,531)
Total finance	1,656,100	1,695,100	1,666,983	28,117
Emergency reserves:				
Current:				
Supplies and other charges	88,300	88,300	805	87,495
Nondepartmental:				
Current:				
Personnel services	290,300	95,300	-	95,300
Supplies and other charges	23,700	23,700	15,494	8,206
Total nondepartmental	314,000	119,000	15,494	103,506

See accompanying notes to required supplementary information

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2022

	2022			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures: (continued)				
General government: (continued)				
Facilities management:				
Current:				
Personnel services	\$291,100	\$296,100	\$288,650	\$7,450
Supplies and other charges	338,000	338,000	406,785	(68,785)
Total facilities management	629,100	634,100	695,435	(61,335)
Total general government	4,552,200	4,428,200	4,120,167	308,033
Public safety:				
Police:				
Police protection:				
Current:				
Personnel services	6,975,300	7,135,300	7,065,364	69,936
Supplies and other charges	673,700	745,700	764,807	(19,107)
Total police protection	7,649,000	7,881,000	7,830,171	50,829
Emergency management:				
Current:				
Supplies and other charges	14,600	14,600	15,435	(835)
Total police	7,663,600	7,895,600	7,845,606	49,994
Fire:				
Fire protection:				
Current:				
Personnel services	1,183,400	1,288,400	1,265,752	22,648
Supplies and other charges	411,000	441,000	498,727	(57,727)
Total fire protection	1,594,400	1,729,400	1,764,479	(35,079)
Rental inspections:				
Current:				
Personnel services	231,500	234,500	228,166	6,334
Supplies and other charges	11,000	11,000	4,707	6,293
Total rental inspections	242,500	245,500	232,873	12,627
Total public safety	9,500,500	9,870,500	9,842,958	27,542
Public works:				
Engineering:				
Current:				
Personnel services	262,800	334,300	268,132	66,168
Supplies and other charges	109,400	109,400	145,418	(36,018)
Total engineering	372,200	443,700	413,550	30,150
Lighting:				
Current:				
Personnel services	18,000	18,000	17,374	626
Supplies and other charges	206,500	206,500	204,562	1,938
Total lighting	224,500	224,500	221,936	2,564

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2022

	2022			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures: (continued)				
Park maintenance:				
Current:				
Personnel services	744,100	761,100	731,825	29,275
Supplies and other charges	224,400	224,400	231,574	(7,174)
Total park maintenance	968,500	985,500	963,399	22,101
Street:				
Current:				
Personnel services	871,100	871,100	859,169	11,931
Supplies and other charges	568,200	568,200	553,992	14,208
Total street	1,439,300	1,439,300	1,413,161	26,139
Fleet services:				
Current:				
Personnel services	409,400	409,400	401,658	7,742
Supplies and other charges	32,100	32,100	40,033	(7,933)
Total garage	441,500	441,500	441,691	(191)
Forestry				
Current:				
Supplies and other charges	69,900	119,900	125,727	(5,827)
Total forestry	69,900	119,900	125,727	(5,827)
Total public works	3,515,900	3,654,400	3,579,464	74,936
Community development:				
Building inspection:				
Current:				
Personnel services	\$340,900	\$343,900	\$334,734	\$9,166
Supplies and other charges	139,700	210,700	181,953	28,747
Total building inspection	480,600	554,600	516,687	37,913
Planning:				
Current:				
Personnel services	530,900	713,900	689,237	24,663
Supplies and other charges	231,800	231,800	173,483	58,317
Total planning	762,700	945,700	862,720	82,980
Total community development	1,243,300	1,500,300	1,379,407	120,893
Parks and recreation				
Current:				
Personnel services	618,900	618,900	584,478	34,422
Supplies and other charges	203,100	203,100	150,550	52,550
Total parks and recreation	822,000	822,000	735,028	86,972
Total expenditures	19,633,900	20,275,400	19,657,024	618,376
Excess (deficiency) of revenues over (under) expenditures	(192,300)	(263,800)	(137,221)	126,579
Other financing sources (uses):				
Transfers in	192,300	263,800	259,715	(4,085)
Transfers out	-	-	-	-
Total other financing sources	192,300	263,800	259,715	(4,085)
Net change in fund balance	\$ -	\$ -	122,494	\$122,494
Fund balance - January 1			10,725,339	
Fund balance - December 31			\$10,847,833	

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Ten Years

	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service cost	\$ 41,774	\$ 40,554	\$ 29,976	\$ 24,817	\$ 30,073
Interest cost	30,625	46,853	53,743	36,281	14,035
Addition of disabled police officers	-	-	-	-	659,344
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(272,762)	-	345,222	-
Changes in assumptions	-	142,709	149,391	(61,029)	-
Benefit payments	(39,292)	(46,423)	(38,283)	(32,982)	(15,301)
Net change in total OPEB liability	33,107	(89,069)	194,827	312,309	688,151
Total OPEB liability - beginning	1,509,036	1,598,105	1,403,278	1,090,969	402,818
Total OPEB liability - ending	<u>\$ 1,542,143</u>	<u>\$ 1,509,036</u>	<u>\$ 1,598,105</u>	<u>\$ 1,403,278</u>	<u>\$ 1,090,969</u>
Covered-employee payroll	\$11,843,778	\$11,498,814	\$10,759,599	\$10,446,213	\$10,037,870
Total OPEB liability as a percentage of covered payroll	13.0%	13.1%	14.9%	13.4%	10.9%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten year trend. Additional years will be added as they become available.

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
GENERAL EMPLOYEES RETIREMENT FUND
Last Ten Years

Measurement Date June 30	Fiscal Year Ending December 31	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a+b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.1004%	\$5,203,249	\$ -	\$5,203,249	\$5,903,611	88.1%	78.2%
2016	2016	0.1018%	8,265,655	107,922	8,373,577	6,281,307	133.3%	68.9%
2017	2017	0.0979%	6,249,871	78,569	6,328,440	6,269,774	100.9%	75.9%
2018	2018	0.0976%	5,414,448	177,601	5,592,049	6,461,494	86.5%	79.5%
2019	2019	0.0919%	5,080,945	157,993	5,238,938	6,505,506	80.5%	80.2%
2020	2020	0.0946%	5,671,702	174,864	5,846,566	6,747,539	86.6%	79.1%
2021	2021	0.0987%	4,214,932	128,697	4,343,629	7,107,615	61.1%	87.0%
2022	2022	0.0982%	7,777,472	228,060	8,005,532	7,353,484	108.9%	76.7%

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS* - GENERAL EMPLOYEES RETIREMENT FUND
Last Ten Years

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$466,069	\$466,069	\$ -	\$6,214,253	7.5%
December 31, 2016	458,639	458,639	-	6,115,187	7.5%
December 31, 2017	479,410	479,410	-	6,392,134	7.5%
December 31, 2018	480,597	480,597	-	6,407,960	7.5%
December 31, 2019	495,872	495,872	-	6,611,626	7.5%
December 31, 2020	525,081	525,081	-	7,001,082	7.5%
December 31, 2021	541,932	541,932	-	7,225,769	7.5%
December 31, 2022	569,464	569,464	-	7,592,844	7.5%

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
PUBLIC EMPLOYEES POLICE AND FIRE FUND
Last Ten Years

Measurement Date June 30	Fiscal Year Ending December 31	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)	Covered Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.4170%	\$4,738,096	\$3,821,428	124.0%	86.6%
2016	2016	0.4050%	16,253,355	3,898,494	416.9%	63.9%
2017	2017	0.3710%	5,008,941	3,812,191	131.4%	85.4%
2018	2018	0.4185%	4,460,779	4,265,364	104.6%	88.8%
2019	2019	0.4147%	4,414,900	4,373,847	100.9%	89.3%
2020	2020	0.4043%	5,329,107	4,560,658	116.8%	87.2%
2021	2021	0.3895%	3,006,527	4,603,126	65.3%	93.7%
2022	2022	0.4048%	17,615,297	4,917,823	358.2%	70.5%

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS* - PUBLIC EMPLOYEES POLICE AND FIRE FUND
Last Ten Years

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (c)</u>	<u>Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2015	\$644,283	\$644,283	\$ -	\$3,977,056	16.20%
December 31, 2016	606,767	606,767	-	3,745,475	16.20%
December 31, 2017	653,014	653,014	-	4,030,951	16.20%
December 31, 2018	700,029	700,029	-	4,321,166	16.20%
December 31, 2019	751,753	751,753	-	4,435,121	16.95%
December 31, 2020	807,829	807,829	-	4,564,003	17.70%
December 31, 2021	839,373	839,373	-	4,742,218	17.70%
December 31, 2022	903,357	903,357	-	5,103,712	17.70%

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2022

A. LEGAL COMPLIANCE – BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the expenditure category level.

B. OPEB INFORMATION

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

2022 Changes

- No benefit changes.
- No assumptions changes.

2021 Changes

- No benefit changes.
- The discount rate was changed from 2.90% to 2.00%.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to Pub-2010 Public retirement Plans Headcount – Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.

2020 Changes

- No benefit changes.
- The discount rate was changed from 3.80% to 2.90%.

2019 Changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for Police and Fire Personnel were updated.
- The discount rate was changed from 3.30% to 3.80%.

C. PENSION INFORMATION

PERA – General Employees Retirement Fund

2022 Changes

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2022

- Assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- Base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018

Changes in the Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 % for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2022

PERA – Public Employees Police and Fire Fund

2022 Changes

- The single discount rate changed from 6.50% to 5.4%.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality tables for healthy annuitants, disabled annuitants and employees were changed from RP-2014 tables to Pub-2010 Public Safety Mortality tables. The mortality improvement scale was changed from MP-2019 to MN-2020.
- Assumed salary increase and retirement rates were modified as recommended in the July 14, 2020 experience study. The changes result in a decrease in gross salary increase rates, slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%.

2020 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018

Changes in the Plan Provisions:

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

CITY OF FRIDLEY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2022

2017 Changes

Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.6% to 7.5%.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 % lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**



This page intentionally left blank

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance and/or resolution to finance particular functions, activities or governments.

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the resources expended to acquire permanent or long-term assets.

CITY OF FRIDLEY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>			
Cash and investments	\$1,457,295	\$3,788,611	\$5,245,906
Receivables:			
Accounts	106,228	-	106,228
Taxes	11,549	820	12,369
Special assessments	-	41,674	41,674
Due from other governments	127,463	165	127,628
Due from component unit	-	449,017	449,017
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$1,702,535</u>	<u>\$4,280,287</u>	<u>\$5,982,822</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>			
Liabilities:			
Accounts payable	\$53,927	\$34,167	\$88,094
Deposits payable	1,750	-	1,750
Contracts payable	-	4,850	4,850
Due to other governments	7,864	-	7,864
Due to other funds	15,373	-	15,373
Salaries payable	32,512	-	32,512
Unearned revenue	143	-	143
Total liabilities	<u>111,569</u>	<u>39,017</u>	<u>150,586</u>
Deferred inflows of resources:			
Unavailable revenue	<u>5,553</u>	<u>42,494</u>	<u>48,047</u>
Fund balance:			
Restricted	186,931	-	186,931
Committed	1,398,482	2,041,939	3,440,421
Assigned	-	2,156,837	2,156,837
Total fund balance	<u>1,585,413</u>	<u>4,198,776</u>	<u>5,784,189</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$1,702,535</u>	<u>\$4,280,287</u>	<u>\$5,982,822</u>

CITY OF FRIDLEY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2022

	Special Revenue	Capital Project	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$460,519	\$68,500	\$529,019
Special assessments	-	33,194	33,194
Licenses and permits	242,875	-	242,875
Intergovernmental revenue	129,931	1,077,768	1,207,699
Charges for services	614,791	2,500	617,291
Reimbursements	226,953	-	226,953
Fines and forfeits	76,905	-	76,905
Investment income (loss)	(36,778)	(94,391)	(131,169)
Contributions and donations	20,378	-	20,378
Miscellaneous	4,770	22,628	27,398
Total revenues	<u>1,740,344</u>	<u>1,110,199</u>	<u>2,850,543</u>
Expenditures:			
Current:			
General government	847,467	316,531	1,163,998
Public safety	263,994	220,059	484,053
Public works	-	16,416	16,416
Parks and recreation	609,061	55,392	664,453
Community development	-	11,679	11,679
Capital outlay	-	364,726	364,726
Total expenditures	<u>1,720,522</u>	<u>984,803</u>	<u>2,705,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,822</u>	<u>125,396</u>	<u>145,218</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	-	48,528	48,528
Transfers in	-	250,000	250,000
Total other financing sources (uses)	<u>-</u>	<u>298,528</u>	<u>298,528</u>
Net change in fund balance	19,822	423,924	443,746
Fund balance - January 1	<u>1,565,591</u>	<u>3,774,852</u>	<u>5,340,443</u>
Fund balance - December 31	<u><u>\$1,585,413</u></u>	<u><u>\$4,198,776</u></u>	<u><u>\$5,784,189</u></u>



This page intentionally left blank

NONMAJOR GOVERNMENTAL FUNDS



This page intentionally left blank

NONMAJOR SPECIAL REVENUE FUNDS

Cable TV Fund - This fund receives revenues from the issuance of a franchise agreement with the cable TV provider. These revenues are used for the operation and maintenance of a government access channel.

Solid Waste Abatement Fund - This fund receives grants, recycling fees and yard waste fees. These revenues finance the City's curbside recycling pickup and operation of the yard waste transfer site.

Drug and Gambling Forfeiture Fund - This fund receives forfeited property in connection with illegal gambling or drug activity. Pursuant to Minnesota Statutes, the proceeds are disbursed between the investigating agency and the prosecuting agency.

Police Activity Fund - This fund is used to track the revenue and expenditures of externally funded police positions.

Springbrook Nature Center Fund - This fund was established in 2005 after a \$275,000 referendum supporting the Springbrook Nature Center was approved by the voters in November of 2004. The revenues from the annual levy are used for the on-going operation of the nature center and the capital improvement projects required in the park.

CITY OF FRIDLEY, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2022

<u>Assets</u>	Cable TV	Solid Waste Abatement	Drug and Gambling Forfeiture	Police Activity	Springbrook Nature Center	Totals Nonmajor Special Revenue Funds
Cash and investments	\$1,076,868	\$6,221	\$117,698	\$ -	\$256,508	\$1,457,295
Receivables:						
Accounts	70,119	36,109	-	-	-	106,228
Taxes	-	-	-	-	11,549	11,549
Due from other governments	-	74,618	-	52,845	-	127,463
Total assets	<u>\$1,146,987</u>	<u>\$116,948</u>	<u>\$117,698</u>	<u>\$52,845</u>	<u>\$268,057</u>	<u>\$1,702,535</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>						
Liabilities:						
Accounts payable	\$12,302	\$28,099	\$ -	\$1,106	\$12,420	\$53,927
Deposits payable	-	-	-	-	1,750	1,750
Due to other governments	-	-	221	7,643	-	7,864
Due to other funds	-	-	-	15,373	-	15,373
Salaries payable	7,089	2,080	-	6,124	17,219	32,512
Unearned revenue	-	-	143	-	-	143
Total liabilities	<u>19,391</u>	<u>30,179</u>	<u>364</u>	<u>30,246</u>	<u>31,389</u>	<u>111,569</u>
Deferred inflows of resources:						
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,553</u>	<u>5,553</u>
Fund balance:						
Restricted	67,379	-	117,334	-	2,218	186,931
Committed	1,060,217	86,769	-	22,599	228,897	1,398,482
Total fund balance	<u>1,127,596</u>	<u>86,769</u>	<u>117,334</u>	<u>22,599</u>	<u>231,115</u>	<u>1,585,413</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$1,146,987</u>	<u>\$116,948</u>	<u>\$117,698</u>	<u>\$52,845</u>	<u>\$268,057</u>	<u>\$1,702,535</u>

CITY OF FRIDLEY, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2022

	Cable TV	Solid Waste Abatement	Drug and Gambling Forfeiture	Police Activity	Springbrook Nature Center	Totals Nonmajor Special
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$460,519	\$460,519
Licenses and permits	242,875	-	-	-	-	242,875
Intergovernmental revenue	-	129,931	-	-	-	129,931
Charges for services	48,575	390,887	-	-	175,329	614,791
Reimbursements	-	-	-	226,953	-	226,953
Fines and forfeits	-	-	76,905	-	-	76,905
Investment income (loss)	(31,971)	(12)	-	-	(4,795)	(36,778)
Contributions and donations	-	-	-	-	20,378	20,378
Miscellaneous	-	2,910	-	-	1,860	4,770
Total revenues	<u>259,479</u>	<u>523,716</u>	<u>76,905</u>	<u>226,953</u>	<u>653,291</u>	<u>1,740,344</u>
Expenditures:						
Current:						
General government	322,909	524,558	-	-	-	847,467
Public safety	-	-	32,264	231,730	-	263,994
Parks and recreation	-	-	-	-	609,061	609,061
Total expenditures	<u>322,909</u>	<u>524,558</u>	<u>32,264</u>	<u>231,730</u>	<u>609,061</u>	<u>1,720,522</u>
Excess (deficiency) of revenues over (under) expenditures	(63,430)	(842)	44,641	(4,777)	44,230	19,822
Fund balance - January 1	<u>1,191,026</u>	<u>87,611</u>	<u>72,693</u>	<u>27,376</u>	<u>186,885</u>	<u>1,565,591</u>
Fund balance - December 31	<u><u>\$1,127,596</u></u>	<u><u>\$86,769</u></u>	<u><u>\$117,334</u></u>	<u><u>\$22,599</u></u>	<u><u>\$231,115</u></u>	<u><u>\$1,585,413</u></u>



This page intentionally left blank

NONMAJOR CAPITAL PROJECT FUNDS

Special Assessment Construction Capital Projects Fund - is established to account for the construction of public improvements, such as residential streets, sidewalks, and storm sewers or for the provision of services that are to be paid primarily by the benefited property owner.

Building Improvements Fund - is used to account for capital improvements and purchases.

Information System Improvement Fund - is established to account for the purchase of new equipment and replacement equipment such as computers, local area and wide area network equipment, printers, peripheral devices, telecommunications improvements, copiers and software.

Capital Equipment Fund - is used to account for the purchase and repair of major capital equipment.

TIF 20 Note Payoff Fund – services debt on a Tax Increment Financing District created by the Housing and Redevelopment Authority to support the eligible costs associated with the redevelopment of the area known as Northern Stacks.

CITY OF FRIDLEY, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2022

<u>Assets</u>	Special Assessment Construction Capital Projects	Building Improvements	Information System Improvement	Capital Equipment	Totals Nonmajor Capital Project Funds
Cash and investments	\$36,314	\$1,332,296	\$390,214	\$2,029,787	\$3,788,611
Receivables:					
Taxes	820	-	-	-	820
Special assessments	41,674	-	-	-	41,674
Due from other governments	-	165	-	-	165
Due from component unit	-	449,017	-	-	449,017
Total assets	<u>\$78,808</u>	<u>\$1,781,478</u>	<u>\$390,214</u>	<u>\$2,029,787</u>	<u>\$4,280,287</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>					
Liabilities:					
Accounts payable	\$ -	\$10,005	\$ -	\$24,162	\$34,167
Contracts payable	-	4,850	-	-	4,850
Total liabilities	<u>-</u>	<u>14,855</u>	<u>-</u>	<u>24,162</u>	<u>39,017</u>
Deferred inflows of resources:					
Unavailable revenue	<u>42,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,494</u>
Fund balance:					
Committed	36,314	-	-	2,005,625	2,041,939
Assigned	-	1,766,623	390,214	-	2,156,837
Total fund balance	<u>36,314</u>	<u>1,766,623</u>	<u>390,214</u>	<u>2,005,625</u>	<u>4,198,776</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$78,808</u>	<u>\$1,781,478</u>	<u>\$390,214</u>	<u>\$2,029,787</u>	<u>\$4,280,287</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRIDLEY, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For The Year Ended December 31, 2022

	Special Assessment Construction Capital Projects	Building Improvements	Information System Improvement	Capital Equipment	TIF 20 Note Payoff	Totals Nonmajor Capital Project Funds
Revenues:						
Taxes	\$ -	\$ -	\$68,500	\$ -	\$ -	\$68,500
Special assessments	33,194	-	-	-	-	33,194
Intergovernmental revenue	-	20,000	200,000	857,768	-	1,077,768
Charges for services	-	-	2,500	-	-	2,500
Investment income (loss)	67	(41,306)	(7,948)	(45,239)	35	(94,391)
Miscellaneous	-	18,501	-	4,127	-	22,628
Total revenues	<u>33,261</u>	<u>(2,805)</u>	<u>263,052</u>	<u>816,656</u>	<u>35</u>	<u>1,110,199</u>
Expenditures:						
Current:						
General government	33,413	50,474	230,862	1,782	-	316,531
Public safety	-	39,422	-	180,637	-	220,059
Public works	-	-	-	16,416	-	16,416
Parks and recreation	-	-	-	55,392	-	55,392
Community development	-	-	-	6,411	5,268	11,679
Capital outlay	-	100,909	63,176	200,641	-	364,726
Total expenditures	<u>33,413</u>	<u>190,805</u>	<u>294,038</u>	<u>461,279</u>	<u>5,268</u>	<u>984,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(152)</u>	<u>(193,610)</u>	<u>(30,986)</u>	<u>355,377</u>	<u>(5,233)</u>	<u>125,396</u>
Other financing sources (uses):						
Proceeds from sale of capital assets	-	-	-	48,528	-	48,528
Transfers in	-	-	-	250,000	-	250,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,528</u>	<u>-</u>	<u>298,528</u>
Net change in fund balance	(152)	(193,610)	(30,986)	653,905	(5,233)	423,924
Fund balance - January 1	<u>36,466</u>	<u>1,960,233</u>	<u>421,200</u>	<u>1,351,720</u>	<u>5,233</u>	<u>3,774,852</u>
Fund balance - December 31	<u>\$36,314</u>	<u>\$1,766,623</u>	<u>\$390,214</u>	<u>\$2,005,625</u>	<u>\$0</u>	<u>\$4,198,776</u>



This page intentionally left blank

**INDIVIDUAL BUDGET TO ACTUAL STATEMENTS
SPECIAL REVENUE FUNDS**

CITY OF FRIDLEY, MINNESOTA
SPECIAL REVENUE FUND - CABLE TV FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Licenses - franchise fee	\$251,900	\$251,900	\$242,875
Charges for services	31,600	31,600	48,575
Investment income:			
Interest and dividends	13,400	13,400	12,711
Net change in the fair value of investments	-	-	(44,682)
Total revenues	<u>296,900</u>	<u>296,900</u>	<u>259,479</u>
Expenditures:			
Current:			
General government:			
Personal services	218,400	218,400	175,847
Supplies and other charges	161,600	161,600	147,062
Total expenditures	<u>380,000</u>	<u>380,000</u>	<u>322,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$83,100)</u>	<u>(\$83,100)</u>	(63,430)
Fund balance - January 1			<u>1,191,026</u>
Fund balance - December 31			<u>\$1,127,596</u>

CITY OF FRIDLEY, MINNESOTA

SPECIAL REVENUE FUND - SOLID WASTE ABATEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For The Year Ended December 31, 2022

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues:			
Intergovernmental revenue:			
State	\$129,900	\$129,900	\$129,931
Charges for services	384,800	384,800	390,887
Investment income:			
Interest and dividends	400	400	91
Net change in the fair value of investments	-	-	(103)
Miscellaneous	5,300	5,300	2,910
Total revenues	520,400	520,400	523,716
Expenditures:			
Current:			
General government:			
Personal services	61,600	61,600	60,562
Supplies and other charges	456,300	456,300	463,996
Total expenditures	517,900	517,900	524,558
Excess (deficiency) of revenues over (under) expenditures	\$2,500	\$2,500	(842)
Fund balance - January 1			87,611
Fund balance - December 31			\$86,769

CITY OF FRIDLEY, MINNESOTA
SPECIAL REVENUE FUND - POLICE ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Charges for services	\$255,900	\$255,900	\$226,953
Expenditures:			
Public safety:			
Personal services	151,200	151,200	155,424
Supplies and other charges	104,700	104,700	76,306
Total expenditures	255,900	255,900	231,730
Excess (deficiency) of revenues over (under) expenditures	\$0	\$0	(4,777)
Fund balance - January 1			27,376
Fund balance - December 31			\$22,599

CITY OF FRIDLEY, MINNESOTA
SPECIAL REVENUE FUND - SPRINGBROOK NATURE CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2022

	2022		
	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues:			
Taxes	\$460,400	\$460,400	\$460,519
Intergovernmental revenue	-	-	-
Charges for service	171,200	171,200	175,329
Investment income:			
Interest and dividends	1,900	1,900	1,813
Net change in the fair value of investments	-	-	(6,608)
Contributions and donations	43,700	43,700	20,378
Miscellaneous	1,500	1,500	1,860
Total revenues	678,700	678,700	653,291
Expenditures:			
Current:			
Parks, recreation and naturalist			
Personal services	556,900	556,900	507,995
Supplies and other charges	134,700	134,700	101,066
Total expenditures	691,600	691,600	609,061
Excess (deficiency) of revenues over (under) expenditures	(12,900)	(12,900)	44,230
Fund balance - January 1			186,885
Fund balance - December 31			\$231,115



This page intentionally left blank

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for goods and services that are provided on a cost reimbursement or fee basis to departments or agencies within the City. These funds are essential for segregating costs for determining the total cost of providing a service and for assuring that the goods and services provided are properly utilized. These funds are accounted for on a capital maintenance measurement focus and use the accrual basis of accounting.

Employee Benefits Fund – This fund is used to account for the expenses associated with providing fringe and pension benefits for employees.

Self Insurance Fund – This fund is used to account for all revenues and expenses associated with the \$50,000 deductible in the City's general liability policy.

CITY OF FRIDLEY, MINNESOTA

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

December 31, 2022

	Employee Benefits	Self Insurance	Total
Assets:			
Cash and investments	\$1,572,746	\$900,513	\$2,473,259
Accounts receivable	-	6,707	6,707
Total assets	1,572,746	907,220	2,479,966
Deferred outflows of resources:			
Pension related	14,931,264	-	14,931,264
Liabilities:			
Current liabilities:			
Accounts payable	-	65,252	65,252
Payroll deductions payable	128,851	-	128,851
Compensated absences payable - current portion	839,664	-	839,664
Total current liabilities	968,515	65,252	1,033,767
Noncurrent liabilities:			
Compensated absences payable - long-term portion	375,259	-	375,259
Net pension liability	25,392,769	-	25,392,769
Total liabilities	26,736,543	65,252	26,801,795
Deferred inflows of resources:			
Pension related	453,437	-	453,437
Net position:			
Unrestricted	(10,685,970)	841,968	(9,844,002)
Total net position	(\$10,685,970)	\$841,968	(\$9,844,002)

CITY OF FRIDLEY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2022

	<u>Employee Benefits</u>	<u>Self Insurance</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$1,544,433	\$336,400	\$1,880,833
Operating expenses:			
Personal services	2,626,675	-	2,626,675
Supplies and other charges	3,539	501,024	504,563
Total operating expenses	2,630,214	501,024	3,131,238
Operating income (loss)	(1,085,781)	(164,624)	(1,250,405)
Nonoperating revenues:			
Investment income (loss)	(44,327)	(28,799)	(73,126)
Intergovernmental	219,784	-	219,784
Insurance reimbursement	-	9,474	9,474
Total nonoperating revenues	175,457	(19,325)	156,132
Change in net position	(910,324)	(183,949)	(1,094,273)
Net position - January 1	(9,775,646)	1,025,917	(8,749,729)
Net position - December 31	(\$10,685,970)	\$841,968	(\$9,844,002)

**HOUSING AND REDEVELOPMENT AUTHORITY
COMPONENT UNIT**

CITY OF FRIDLEY, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
HOUSING AND REDEVELOPMENT AUTHORITY
December 31, 2022

	General	Housing Loan	Gateway Northeast	BAE Northern Stacks
<u>Assets</u>				
Cash and investments	\$9,781,195	\$119,061	\$ -	\$2,738,833
Receivables:				
Accounts	82,581	-	-	-
Note	1,000,000	-	-	-
Taxes	15,780	-	-	5,317
Mortgage:				
Deferred	-	2,968,421	-	-
Interest	51,407	-	-	-
Due from other funds	9,731,717	-	-	-
Land held for resale	374,170	-	-	-
Total assets	<u>\$21,036,850</u>	<u>\$3,087,482</u>	<u>\$0</u>	<u>\$2,744,150</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>				
Liabilities:				
Accounts payable	\$23,182	\$309,039	\$ -	\$ -
Due to primary government	452,189	-	-	-
Due to other funds	-	-	2,458,986	-
Total liabilities	<u>475,371</u>	<u>309,039</u>	<u>2,458,986</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	<u>781,442</u>	<u>-</u>	<u>-</u>	<u>5,317</u>
Fund balance (deficit):				
Nonspendable	-	2,968,421	-	-
Restricted	-	-	-	2,738,833
Committed	951,769	-	-	-
Unassigned	18,828,268	(189,978)	(2,458,986)	-
Total fund balance (deficit)	<u>19,780,037</u>	<u>2,778,443</u>	<u>(2,458,986)</u>	<u>2,738,833</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$21,036,850</u>	<u>\$3,087,482</u>	<u>\$0</u>	<u>\$2,744,150</u>

BAE Hazardous Sub District	Locke Point Park	Lake Pointe	Northstar Transit Station	Other Governmental Funds	Intra - Activity Eliminations	Totals Governmental Funds
\$3,602	\$ -	\$263,774	\$2,357,579	\$763,398	\$ -	\$16,027,442
-	-	-	-	-	-	82,581
-	-	-	-	-	-	1,000,000
-	2,841	-	-	1,025	-	24,963
-	-	-	-	-	-	2,968,421
-	-	-	-	-	-	51,407
-	-	-	-	-	(9,731,717)	-
-	-	-	-	83,660	-	457,830
<u>\$3,602</u>	<u>\$2,841</u>	<u>\$263,774</u>	<u>\$2,357,579</u>	<u>\$848,083</u>	<u>(\$9,731,717)</u>	<u>\$20,612,644</u>
\$ -	\$ -	\$263,640	\$262,256	\$91,950	\$ -	\$950,067
-	-	-	-	-	-	452,189
<u>2,471,857</u>	<u>4,295,325</u>	<u>160,303</u>	<u>-</u>	<u>345,246</u>	<u>(9,731,717)</u>	<u>-</u>
<u>2,471,857</u>	<u>4,295,325</u>	<u>423,943</u>	<u>262,256</u>	<u>437,196</u>	<u>(9,731,717)</u>	<u>1,402,256</u>
-	-	-	-	83,671	-	870,430
-	-	-	-	-	-	2,968,421
-	-	-	2,095,323	693,265	-	5,527,421
-	-	-	-	-	-	951,769
<u>(2,468,255)</u>	<u>(4,292,484)</u>	<u>(160,169)</u>	<u>-</u>	<u>(366,049)</u>	<u>-</u>	<u>8,892,347</u>
<u>(2,468,255)</u>	<u>(4,292,484)</u>	<u>(160,169)</u>	<u>2,095,323</u>	<u>327,216</u>	<u>-</u>	<u>18,339,958</u>
<u>\$3,602</u>	<u>\$2,841</u>	<u>\$263,774</u>	<u>\$2,357,579</u>	<u>\$848,083</u>	<u>(\$9,731,717)</u>	<u>\$20,612,644</u>
Fund balance reported above						\$18,339,958
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds						1,011,755
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue						870,430
Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.						(1,387)
Net position of governmental activities						<u>\$20,220,756</u>

CITY OF FRIDLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
HOUSING AND REDEVELOPMENT AUTHORITY
For The Year Ended December 31, 2022

	General	Housing Loan	Gateway Northeast	BAE Northern Stacks
Revenues:				
Tax increment	\$ -	\$ -	\$561,067	\$2,197,930
Property taxes	596,391	-	-	-
Investment income/(loss)	(208,943)	(15,938)	(4,830)	(37,723)
Mortgage interest earnings	-	34,018	-	-
Interfund and other loan interest earnings	432,192	-	-	-
Miscellaneous	162,520	-	-	-
Total revenues	<u>982,160</u>	<u>18,080</u>	<u>556,237</u>	<u>2,160,207</u>
Expenditures:				
Personal services	2,558	-	-	-
Supplies and other charges	672,104	67,343	30,062	54,900
Developer assistance	841	168,831	-	-
Interest expense	18,501	-	118,288	-
Payments to primary government	-	-	-	1,131,663
Redevelopment expense	176,778	-	-	-
Total expenditures	<u>870,782</u>	<u>236,174</u>	<u>148,350</u>	<u>1,186,563</u>
Excess (deficiency of revenues over (under expenditures)	111,378	(218,094)	407,887	973,644
Other financing sources:				
Sale of real estate	<u>117,162</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	228,540	(218,094)	407,887	973,644
Fund balance (deficit) - January 1	<u>19,551,497</u>	<u>2,996,537</u>	<u>(2,866,873)</u>	<u>1,765,189</u>
Fund balance (deficit) - December 31	<u>\$19,780,037</u>	<u>\$2,778,443</u>	<u>(\$2,458,986)</u>	<u>\$2,738,833</u>

BAE Hazardous Sub District	Locke Point Park	Lake Pointe	Northstar Transit Station	Other Governmental Funds	Totals Governmental Funds
\$289,719	\$229,585	\$585,868	\$1,251,032	\$401,001	\$5,516,202
-	-	-	-	-	596,391
(3,330)	(1,925)	(2,181)	(43,190)	(16,150)	(334,210)
-	-	-	-	-	34,018
-	-	-	-	-	432,192
-	-	-	-	-	162,520
<u>286,389</u>	<u>227,660</u>	<u>583,687</u>	<u>1,207,842</u>	<u>384,851</u>	<u>6,407,113</u>
-	-	-	-	-	2,558
639	12,693	6,634	58,094	14,709	917,178
-	-	527,281	524,512	239,172	1,460,637
93,396	173,921	-	-	22,588	426,694
-	-	-	-	-	1,131,663
-	-	-	-	-	176,778
<u>94,035</u>	<u>186,614</u>	<u>533,915</u>	<u>582,606</u>	<u>276,469</u>	<u>4,115,508</u>
192,354	41,046	49,772	625,236	108,382	2,291,605
-	-	-	-	-	117,162
192,354	41,046	49,772	625,236	108,382	2,408,767
<u>(2,660,609)</u>	<u>(4,333,530)</u>	<u>(209,941)</u>	<u>1,470,087</u>	<u>218,834</u>	<u>15,931,191</u>
<u>(\$2,468,255)</u>	<u>(\$4,292,484)</u>	<u>(\$160,169)</u>	<u>\$2,095,323</u>	<u>\$327,216</u>	<u>\$18,339,958</u>

Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:

Net changes in fund balances - total above

\$2,408,767

Other post employment benefits in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.

(28)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

87,536

Changes in net position of governmental activities (Exhibit A-2)

\$2,496,275

CITY OF FRIDLEY, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
HOUSING AND REDEVELOPMENT AUTHORITY
December 31, 2022

	Gateway East	Gateway West	Housing Replacement
<u>Assets</u>			
Cash and investments	\$ -	\$ -	\$184,031
Taxes receivable	-	-	11
Land held for resale	-	2,610	81,050
Total assets	<u>\$0</u>	<u>\$2,610</u>	<u>\$265,092</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	121,032	190,594	-
Total liabilities	<u>121,032</u>	<u>190,594</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable revenue	-	2,610	81,061
Fund balance (deficit):			
Restricted	-	-	184,031
Unassigned	(121,032)	(190,594)	-
Total fund balance (deficit)	<u>(121,032)</u>	<u>(190,594)</u>	<u>184,031</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$0</u>	<u>\$2,610</u>	<u>\$265,092</u>

McGlynn Bakeries	Satellite Lane Apts.	Main Street	Northern Stacks VIII	Holly Center	Total Nonmajor Capital Project Funds
\$68,919	\$446,879	\$63,569	\$ -	\$ -	\$763,398
-	1,014	-	-	-	1,025
-	-	-	-	-	83,660
<u>\$68,919</u>	<u>\$447,893</u>	<u>\$63,569</u>	<u>\$0</u>	<u>\$0</u>	<u>\$848,083</u>
\$7,578	\$ -	\$63,569	\$20,803	\$ -	\$91,950
-	-	-	7,767	25,853	345,246
<u>7,578</u>	<u>-</u>	<u>63,569</u>	<u>28,570</u>	<u>25,853</u>	<u>437,196</u>
-	-	-	-	-	83,671
61,341	447,893	-	-	-	693,265
-	-	-	(28,570)	(25,853)	(366,049)
<u>61,341</u>	<u>447,893</u>	<u>-</u>	<u>(28,570)</u>	<u>(25,853)</u>	<u>327,216</u>
<u>\$68,919</u>	<u>\$447,893</u>	<u>\$63,569</u>	<u>\$0</u>	<u>\$0</u>	<u>\$848,083</u>

CITY OF FRIDLEY, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
HOUSING AND REDEVELOPMENT AUTHORITY
For The Year Ended December 31, 2022

	<u>Gateway East</u>	<u>Gateway West</u>	<u>Housing Replacement</u>
Revenues:			
Tax increment	\$49,200	\$43,859	\$61,436
Investment income/(loss)	(1,694)	(754)	(3,586)
Total revenues	<u>47,506</u>	<u>43,105</u>	<u>57,850</u>
Expenditures:			
Supplies and other charges	993	732	1,023
Developer assistance	-	-	-
Interest expense	10,583	12,005	-
Total expenditures	<u>11,576</u>	<u>12,737</u>	<u>1,023</u>
Excess (deficiency of revenues over (under expenditures)	35,930	30,368	56,827
Fund balance (deficit) - January 1	<u>(156,962)</u>	<u>(220,962)</u>	<u>127,204</u>
Fund balance (deficit) - December 31	<u><u>(\$121,032)</u></u>	<u><u>(\$190,594)</u></u>	<u><u>\$184,031</u></u>

McGlynn Bakeries	Satellite Lane Apts.	Main Street	Northern Stacks VIII	Holly Center	Totals Nonmajor Capital Project Funds
\$ -	\$59,013	\$141,263	\$46,230	\$ -	\$401,001
-	(10,116)	-	-	-	(16,150)
-	48,897	141,263	46,230	-	384,851
-	932	9,955	468	606	14,709
70,428	-	127,137	41,607	-	239,172
-	-	-	-	-	22,588
70,428	932	137,092	42,075	606	276,469
(70,428)	47,965	4,171	4,155	(606)	108,382
131,769	399,928	(4,171)	(32,725)	(25,247)	218,834
\$61,341	\$447,893	\$0	(\$28,570)	(\$25,853)	\$327,216



This page intentionally left blank

CUSTODIAL FUNDS

Custodial Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

CITY OF FRIDLEY, MINNESOTA

COMBINING STATEMENT OF NET POSITION

CUSTODIAL FUND

December 31, 2022

	Hotel/Motel Tax
Assets:	
Accounts receivables	\$8,200
Liabilities:	
Accounts payable	8,200
Net Position:	
Restricted	\$ -

CITY OF FRIDLEY, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

CUSTODIAL FUND

For The Year Ended December 31, 2022

	<u>Hotel/Motel Tax</u>
Additions:	
Tax collections from other government	\$121,695
Total additions	<u>121,695</u>
Deductions:	
Payments of tax to other governments	115,610
Administrative fee	6,085
Total deductions	<u>121,695</u>
Net increase (decrease) in Fiduciary net position	-
Net position - beginning	-
Net position - ending	<u>\$ -</u>



This page intentionally left blank

III. STATISTICAL SECTION (UNAUDITED)



This page intentionally left blank

Statistical Section (Unaudited)

This part of the City of Fridley's statistical annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	158
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property tax.	168
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	174
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	180
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	184

CITY OF FRIDLEY, MINNESOTA
NET POSITION BY COMPONENT
Last ten fiscal years
(Accrual Basis of Accounting)

	2013	2014	2015	2016
Governmental activities:				
Net investment in capital assets	\$13,842,497	\$14,186,359	\$16,811,842	\$23,932,586
Restricted	3,050,204	2,673,982	2,233,179	2,204,983
Unrestricted	24,551,730	25,321,659	16,052,833	13,175,954
Total governmental activities net position	<u>\$41,444,431</u>	<u>\$42,182,000</u>	<u>\$35,097,854</u>	<u>\$39,313,523</u>
Business-type activities:				
Net investment in capital assets	\$12,910,117	\$13,053,816	\$14,234,711	\$13,913,434
Unrestricted	8,417,085	8,727,382	8,058,181	9,567,290
Total business-type activities net position	<u>\$21,327,202</u>	<u>\$21,781,198</u>	<u>\$22,292,892</u>	<u>\$23,480,724</u>
Primary government:				
Net investment in capital assets	\$26,752,614	\$27,240,175	\$31,046,553	\$37,846,020
Restricted	3,050,204	2,673,982	2,233,179	2,204,983
Unrestricted	32,968,815	34,049,041	24,111,014	22,743,244
Total primary government net position	<u>\$62,771,633</u>	<u>\$63,963,198</u>	<u>\$57,390,746</u>	<u>\$62,794,247</u>

Note: GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net position liability and pension related deferred outflows of resources. Net position for years prior to 2014 was not restated.

2017	2018	2019	2020	2021	2022
\$31,006,344	\$30,070,173	\$27,349,945	\$31,075,685	\$29,987,129	\$27,164,052
2,739,575	2,977,454	3,047,005	3,662,136	2,763,121	3,957,778
8,889,557	11,049,555	15,961,597	5,783,139	9,898,422	9,915,345
<u>\$42,635,476</u>	<u>\$44,097,182</u>	<u>\$46,358,547</u>	<u>\$40,520,960</u>	<u>\$42,648,672</u>	<u>\$41,037,175</u>
\$13,897,925	\$15,068,876	\$18,211,710	\$21,135,232	\$23,043,111	\$23,290,271
11,077,566	12,674,876	11,837,418	11,052,792	12,250,803	15,034,748
<u>\$24,975,491</u>	<u>\$27,743,752</u>	<u>\$30,049,128</u>	<u>\$32,188,024</u>	<u>\$35,293,914</u>	<u>\$38,325,019</u>
\$44,904,269	\$45,139,049	\$45,561,655	\$52,210,917	\$53,030,240	\$50,454,323
2,739,575	2,977,454	3,047,005	3,662,136	2,763,121	3,957,778
19,967,123	23,724,431	27,799,015	16,835,931	22,149,225	24,950,093
<u>\$67,610,967</u>	<u>\$71,840,934</u>	<u>\$76,407,675</u>	<u>\$72,708,984</u>	<u>\$77,942,586</u>	<u>\$79,362,194</u>

CITY OF FRIDLEY, MINNESOTA
CHANGES IN NET POSITION
Last ten fiscal years
(Accrual basis of accounting)

	2013	2014	2015	2016
Expenses				
Governmental activities:				
General government	\$3,434,479	\$4,092,123	\$4,156,904	\$4,398,370
Public safety	7,101,331	7,570,322	8,048,655	10,313,163
Public works	5,928,331	5,959,595	5,127,667	4,975,340
Community development	935,716	898,455	1,107,348	1,126,835
Parks and recreation	1,456,841	1,513,135	1,353,320	1,440,232
Interest on long-term debt	218,610	179,420	144,064	97,684
Total governmental activities expenses	19,075,308	20,213,050	19,937,958	22,351,624
Business-type activities:				
Liquor	4,148,447	4,596,316	4,914,786	5,043,703
Water	2,815,588	2,902,419	3,101,356	3,076,493
Sanitary sewer	4,974,525	4,988,587	5,040,861	5,068,146
Storm water	587,036	597,915	785,626	1,030,467
Total business-type activities expenses	12,525,596	13,085,237	13,842,629	14,218,809
Total primary government expenses	\$31,600,904	\$33,298,287	\$33,780,587	\$36,570,433
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$2,025,108	\$2,079,719	\$1,905,021	\$2,031,207
Public safety	864,435	683,418	619,630	742,523
Public works	99,289	27,312	53,589	32,522
Community development	582,280	798,392	1,194,534	1,108,177
Parks and recreation	326,067	327,508	336,847	333,766
Operating grants and contributions	1,095,724	1,837,860	1,139,385	1,077,559
Capital grants and contributions	1,747,303	1,220,903	2,370,009	6,296,532
Total governmental activities program revenues	6,740,206	6,975,112	7,619,015	11,622,286
Business-type activities:				
Charges for services:				
Liquor	4,308,791	4,786,987	5,256,840	5,439,423
Water	2,788,146	2,913,717	2,907,123	3,330,350
Sanitary sewer	4,572,798	4,754,492	4,809,679	5,298,995
Storm water	613,818	732,961	1,225,153	1,324,460
Operating grants and contributions	50,000	-	-	67,551
Capital grants and contributions	-	440,627	421,990	186,791
Total business-type activities program revenues	12,333,553	13,628,784	14,620,785	15,647,570
Total primary government program revenues	\$19,073,759	\$20,603,896	\$22,239,800	\$27,269,856

Table 2
Page 1 of 2

2017	2018	2019	2020	2021	2022
\$4,298,149	\$3,697,097	\$5,504,858	\$6,003,817	\$5,851,445	\$6,389,864
9,129,111	9,274,465	10,035,219	9,946,434	9,816,095	12,178,884
5,112,090	4,699,946	5,677,069	5,304,937	5,698,161	6,186,146
981,433	946,173	973,708	16,037,288	1,051,339	1,478,757
1,720,811	1,835,082	1,565,950	1,459,005	1,754,110	1,854,907
2,292,957	1,685,039	1,795,560	2,012,685	1,881,282	2,795,304
<u>23,534,551</u>	<u>22,137,802</u>	<u>25,552,364</u>	<u>40,764,166</u>	<u>26,052,432</u>	<u>30,883,862</u>
5,110,714	5,544,091	5,698,502	6,115,659	6,552,204	6,098,010
3,531,649	3,047,417	2,811,051	3,192,159	3,086,716	3,270,302
5,340,062	5,347,742	5,722,230	5,911,370	5,776,014	6,266,036
1,085,780	1,071,446	1,208,564	1,243,060	1,288,000	1,496,526
<u>15,068,205</u>	<u>15,010,696</u>	<u>15,440,347</u>	<u>16,462,248</u>	<u>16,702,934</u>	<u>17,130,874</u>
<u>\$38,602,756</u>	<u>\$37,148,498</u>	<u>\$40,992,711</u>	<u>\$57,226,414</u>	<u>\$42,755,366</u>	<u>\$48,014,736</u>
\$2,021,012	\$2,244,912	\$2,236,868	\$1,490,036	\$1,623,061	\$2,157,317
798,510	840,976	558,695	2,181,463	2,066,986	791,031
34,681	53,360	31,841	792,658	874,269	553,539
895,125	1,206,364	1,502,589	971,674	1,299,234	1,982,209
352,245	319,998	317,088	59,289	233,035	320,780
1,847,380	1,185,939	1,845,628	1,603,520	1,483,495	2,082,891
5,333,480	520,201	1,334,148	6,096,584	1,265,349	2,135,051
<u>11,282,433</u>	<u>6,371,750</u>	<u>7,826,857</u>	<u>13,195,224</u>	<u>8,845,429</u>	<u>10,022,818</u>
5,520,161	6,029,627	6,195,797	6,708,539	7,290,355	6,521,618
3,486,965	3,912,727	3,798,381	4,143,249	4,666,860	4,545,403
5,640,419	6,095,556	6,075,840	5,937,276	6,325,191	6,639,735
1,378,095	1,433,935	1,491,252	1,523,085	1,600,201	1,767,347
61,476	-	251,666	118,410	-	84,590
713,655	499,800	-	163,816	275,449	466,483
<u>16,800,771</u>	<u>17,971,645</u>	<u>17,812,936</u>	<u>18,594,375</u>	<u>20,158,056</u>	<u>20,025,176</u>
<u>\$28,083,204</u>	<u>\$24,343,395</u>	<u>\$25,639,793</u>	<u>\$31,789,599</u>	<u>\$29,003,485</u>	<u>\$30,047,994</u>

CITY OF FRIDLEY, MINNESOTA
CHANGES IN NET POSITION
Last ten fiscal years
(Accrual basis of accounting)

	2013	2014	2015	2016
Net (expense) revenue:				
Governmental activities	(\$12,335,102)	(\$13,237,938)	(\$12,318,943)	(\$10,729,338)
Business-type activities	(192,043)	543,547	778,156	1,428,761
Total primary government net (expense) revenue	<u>(\$12,527,145)</u>	<u>(\$12,694,391)</u>	<u>(\$11,540,787)</u>	<u>(\$9,300,577)</u>
General revenues and other changes in net position				
Governmental activities:				
General property taxes	\$11,003,455	\$11,521,196	\$11,795,707	\$12,222,937
Grants not restricted to programs	1,033,814	1,476,664	1,325,388	1,763,614
Investment income/(loss)	(216,821)	634,411	157,281	254,379
Gain (loss) on sale of property	35,680	-	67,581	11,005
Other	-	93,236	418,640	354,572
Transfers	250,000	250,000	338,600	338,500
Total governmental activities	<u>12,106,128</u>	<u>13,975,507</u>	<u>14,103,197</u>	<u>14,945,007</u>
Business-type activities:				
Grants not restricted to programs	-	-	2,413	-
Investment earnings	(52,346)	148,248	42,722	95,713
Gain (loss) on sale of property	-	-	10,672	-
Other	24,663	12,201	16,331	1,858
Transfers	(250,000)	(250,000)	(338,600)	(338,500)
Total business-type activities	<u>(277,683)</u>	<u>(89,551)</u>	<u>(266,462)</u>	<u>(240,929)</u>
Total primary government	<u>\$11,828,445</u>	<u>\$13,885,956</u>	<u>\$13,836,735</u>	<u>\$14,704,078</u>
Change in net position:				
Governmental activities	(\$228,974)	\$737,569	\$1,784,254	\$4,215,669
Business-type activities	(469,726)	453,996	511,694	1,187,832
Total primary government	<u>(\$698,700)</u>	<u>\$1,191,565</u>	<u>\$2,295,948</u>	<u>\$5,403,501</u>

Note: GASB 68 was implemented in 2015. Pension expense for years prior to 2015 was not restated.

Table 2
Page 2 of 2

2017	2018	2019	2020	2021	2022
(\$12,252,118)	(\$15,766,052)	(\$17,725,507)	(\$27,568,942)	(\$17,207,003)	(\$20,861,044)
1,732,566	2,960,949	2,372,589	2,132,127	3,455,122	2,894,302
<u>(\$10,519,552)</u>	<u>(\$12,805,103)</u>	<u>(\$15,352,918)</u>	<u>(\$25,436,815)</u>	<u>(\$13,751,881)</u>	<u>(\$17,966,742)</u>
\$13,884,775	\$14,839,034	\$15,387,457	\$16,225,057	\$16,932,793	\$17,340,718
657,546	1,613,020	1,670,719	3,948,112	1,848,065	1,839,727
413,165	651,609	811,009	980,709	(180,488)	(576,946)
-	(335,183)	(249,165)	21,429	129,604	48,528
280,085	120,778	2,028,352	298,544	266,241	259,020
338,500	338,500	338,500	257,504	338,500	338,500
<u>15,574,071</u>	<u>17,227,758</u>	<u>19,986,872</u>	<u>21,731,355</u>	<u>19,334,715</u>	<u>19,249,547</u>
-	8,957	8,957	-	-	794,835
68,805	142,716	257,520	262,616	(24,062)	(387,377)
16,000	(7,046)	3,772	-	12,450	17,550
15,896	1,185	1,038	1,657	880	295
(338,500)	(338,500)	(338,500)	(257,504)	(338,500)	(338,500)
<u>(237,799)</u>	<u>(192,688)</u>	<u>(67,213)</u>	<u>6,769</u>	<u>(349,232)</u>	<u>86,803</u>
<u>\$15,336,272</u>	<u>\$17,035,070</u>	<u>\$19,919,659</u>	<u>\$21,738,124</u>	<u>\$18,985,483</u>	<u>\$19,336,350</u>
\$3,321,953	\$1,461,706	\$2,261,365	(\$5,837,587)	\$2,127,712	(\$1,611,497)
1,494,767	2,768,261	2,305,376	2,138,896	3,105,890	2,981,105
<u>\$4,816,720</u>	<u>\$4,229,967</u>	<u>\$4,566,741</u>	<u>(\$3,698,691)</u>	<u>\$5,233,602</u>	<u>\$1,369,608</u>

CITY OF FRIDLEY, MINNESOTA
FUND BALANCES - GOVERNMENTAL FUNDS
Last ten fiscal years
(Modified accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:				
Nonspendable	\$50,366	\$60,123	\$66,265	\$51,305
Restricted	40,012	15,176	19,376	35,903
Unassigned	7,997,036	8,242,331	8,858,309	9,084,228
Total general fund	<u>\$8,087,414</u>	<u>\$8,317,630</u>	<u>\$8,943,950</u>	<u>\$9,171,436</u>
All other governmental funds:				
Restricted	\$2,233,664	\$2,071,259	\$1,808,572	\$1,903,290
Committed	2,124,944	2,566,101	2,709,638	2,549,903
Assigned	11,618,835	11,949,555	11,272,588	10,573,287
Unassigned	<u>(98,566)</u>	<u>(97,712)</u>	<u>(43,153)</u>	<u>(27,574)</u>
Total all other governmental funds	<u>\$15,878,877</u>	<u>\$16,489,203</u>	<u>\$15,747,645</u>	<u>\$14,998,906</u>

2017	2018	2019	2020	2021	2022
\$55,777	\$77,801	\$53,334	\$65,779	\$105,578	\$225,418
14,466	20,335	42,180	24,513	20,849	58,765
9,522,843	11,045,978	10,166,947	13,603,533	10,598,912	10,563,650
<u>\$9,593,086</u>	<u>\$11,144,114</u>	<u>\$10,262,461</u>	<u>\$13,693,825</u>	<u>\$10,725,339</u>	<u>\$10,847,833</u>
\$34,821,855	\$5,009,553	\$12,775,223	\$3,566,713	\$3,720,128	\$27,174,772
2,658,339	6,765,928	11,165,161	11,550,431	16,180,954	16,523,003
8,510,134	4,567,369	6,177,195	6,362,198	6,811,853	4,799,846
(9,453)	-	-	(567)	(52,012)	(66,780)
<u>\$45,980,875</u>	<u>\$16,342,850</u>	<u>\$30,117,579</u>	<u>\$21,478,775</u>	<u>\$26,660,923</u>	<u>\$48,430,841</u>

CITY OF FRIDLEY, MINNESOTA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last ten fiscal years

	2013	2014	2015	2016
Revenues:				
General property taxes	\$11,024,785	\$11,554,557	\$11,805,580	\$12,244,211
Special assessments	834,120	938,290	542,248	865,722
Licenses and permits	1,123,635	1,171,365	1,549,785	1,442,895
Intergovernmental	2,643,728	3,208,442	4,375,972	7,330,338
Charges for services	2,545,908	2,518,062	2,374,896	2,592,665
Fines and forfeits	218,194	226,922	184,940	212,635
Earnings on investments	(185,473)	565,245	157,281	254,379
Interest on loan	-	-	-	-
Other	295,409	314,416	429,713	887,678
Total revenues	<u>\$18,500,306</u>	<u>\$20,497,299</u>	<u>\$21,420,415</u>	<u>\$25,830,523</u>
Expenditures:				
Current:				
General government	3,279,657	3,732,056	3,777,688	3,924,877
Public safety	6,794,524	7,165,678	7,319,564	7,537,051
Public works	3,530,939	4,635,752	3,575,252	2,824,319
Community development	817,895	894,785	1,081,549	942,768
Parks and recreation	1,305,158	1,422,405	1,288,684	1,341,444
Debt service:				
Principal	980,000	1,150,000	1,190,000	1,230,000
Interest	227,326	190,890	152,894	112,421
Bond issuance costs	-	3,150	7,462	2,700
Capital outlay	2,536,286	1,290,008	3,645,425	8,618,369
Total expenditures	<u>19,471,785</u>	<u>20,484,724</u>	<u>22,038,518</u>	<u>26,533,949</u>
Revenues over (under) expenditures	<u>(\$971,479)</u>	<u>\$12,575</u>	<u>(\$618,103)</u>	<u>(\$703,426)</u>
Other financing sources (uses):				
Bonds issued	-	-	-	-
Premium/(discount) on bonds issue	-	-	-	-
Proceeds from sale of capital assets	35,679	36,836	93,670	43,673
Transfers in	250,000	8,253,616	1,065,410	2,047,849
Transfers out	(125,000)	(7,462,485)	(726,810)	(1,909,349)
Total other financing sources (uses)	<u>160,679</u>	<u>827,967</u>	<u>432,270</u>	<u>182,173</u>
Net change in fund balance	<u>(\$810,800)</u>	<u>\$840,542</u>	<u>(\$185,833)</u>	<u>(\$521,253)</u>
Debt service as a percentage of noncapital expenditures	6.8%	7.0%	7.3%	7.5%
Debt service as percentage of total expenditures	6.2%	6.6%	6.1%	5.1%

Table 4

2017	2018	2019	2020	2021	2022
\$13,878,204	\$14,857,454	\$15,337,464	\$16,133,737	\$16,977,698	\$17,352,753
621,621	501,045	467,953	819,347	840,389	657,413
1,272,753	1,538,758	1,501,526	1,559,003	1,526,246	1,092,843
4,227,709	3,035,084	4,446,430	8,111,582	3,888,549	5,038,786
2,560,831	2,863,220	2,958,748	2,795,287	3,230,503	3,039,357
267,989	263,632	186,807	169,156	151,219	197,517
413,165	651,609	811,009	898,347	(164,818)	(503,820)
-	-	-	108,000	98,579	111,276
766,059	374,415	2,178,614	1,232,731	1,392,806	1,801,529
<u>\$24,008,331</u>	<u>\$24,085,217</u>	<u>\$27,888,551</u>	<u>\$31,827,190</u>	<u>\$27,941,171</u>	<u>\$28,787,654</u>
3,953,025	3,659,534	4,677,076	5,177,833	5,023,569	5,295,200
8,001,032	8,317,478	8,831,505	8,924,373	9,761,947	10,327,011
3,468,102	3,316,912	3,535,263	3,222,623	3,451,877	3,636,672
934,074	909,481	982,166	15,999,027	1,073,651	1,391,086
1,417,611	1,557,052	1,244,351	1,175,270	1,438,269	1,471,176
1,730,000	1,390,000	1,495,000	1,540,000	2,070,000	2,105,000
931,527	1,761,843	1,721,308	1,958,725	2,106,674	2,022,014
715,461	2,800	155,218	62,855	-	558,999
22,577,062	31,660,699	2,721,649	4,412,516	1,269,626	2,686,883
<u>43,727,894</u>	<u>52,575,799</u>	<u>25,363,536</u>	<u>42,473,222</u>	<u>26,195,613</u>	<u>29,494,041</u>
<u>(\$19,719,563)</u>	<u>(\$28,490,582)</u>	<u>\$2,525,015</u>	<u>(\$10,646,032)</u>	<u>\$1,745,558</u>	<u>(\$706,387)</u>
49,130,000	-	9,510,000	4,540,000	-	20,730,000
1,584,898	-	504,837	619,659	-	1,481,771
69,784	65,085	14,724	21,429	129,604	48,528
1,361,189	7,795,728	2,819,740	338,500	338,500	338,500
(1,022,689)	(7,457,228)	(2,481,240)	(80,996)	-	-
<u>51,123,182</u>	<u>403,585</u>	<u>10,368,061</u>	<u>5,438,592</u>	<u>468,104</u>	<u>22,598,799</u>
<u>\$31,403,619</u>	<u>(\$28,086,997)</u>	<u>\$12,893,076</u>	<u>(\$5,207,440)</u>	<u>\$2,213,662</u>	<u>\$21,892,412</u>
13.0%	15.1%	14.3%	9.2%	16.8%	15.7%
6.1%	6.0%	12.7%	8.2%	15.9%	14.0%

CITY OF FRIDLEY, MINNESOTA
TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
Last ten fiscal years

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>Public Utility</u>	<u>All Other</u>
2013	\$8,713,053	\$13,207,351	\$45,306	\$4,286,829
2014	7,885,298	12,520,981	44,648	4,362,496
2015	9,538,484	12,771,829	49,868	4,737,031
2016	9,488,686	13,688,867	58,699	4,958,693
2017	10,488,279	15,061,056	59,759	5,564,751
2018	11,639,971	15,097,292	62,282	5,961,619
2019	18,645,518	16,935,599	69,652	1,189,818
2020	20,305,713	18,228,064	52,061	1,200,626
2021	23,149,590	19,713,466	62,485	1,415,212
2022	23,326,147	19,746,828	61,735	1,072,472

Source: Continuing Disclosure Document

¹ Property values are determined on January 2 of the preceeding year.

Total Tax Capacity	Add: for Area-wide Values and Increment	Less: Fiscal Disparity Contribution	Adjusted Tax Capacity Value	Total Direct Tax Rate	Estimated Market Value ¹	Tax Capacity as a Percent of EMV
\$26,252,539	\$2,844,689	\$5,373,202	\$23,724,026	47.362%	\$ 2,057,500,500	110.66%
24,813,423	2,799,171	4,509,587	23,103,007	48.577%	1,948,580,100	107.40%
27,097,212	2,934,045	4,358,570	25,672,687	43.508%	2,146,063,300	105.55%
28,194,945	2,986,838	4,681,350	26,500,433	44.960%	2,207,363,400	106.39%
31,173,845	2,946,266	5,225,764	28,894,347	48.218%	2,416,338,500	107.89%
32,761,164	2,918,699	5,571,692	30,108,171	47.907%	2,557,662,900	108.81%
36,840,587	3,230,754	5,830,355	34,240,986	45.380%	2,854,939,900	107.59%
39,786,464	3,841,599	6,520,022	37,108,041	45.253%	3,073,484,500	107.22%
44,340,753	5,047,146	7,707,520	41,680,379	44.941%	3,427,584,200	106.38%
44,207,182	5,039,430	7,707,747	41,538,865	45.242%	3,425,676,400	106.42%

CITY OF FRIDLEY, MINNESOTA
DIRECT AND OVERLAPPING PROPERTY TAX CAPACITY RATES
Last ten fiscal years

Fiscal Year	City	School District No. 11	School District No. 13	School District No. 14
2013	47.362%	26.801%	27.449%	50.112%
2014	48.577%	28.265%	24.824%	49.552%
2015	43.508%	22.482%	32.562%	48.422%
2016	44.960%	20.885%	29.442%	54.252%
2017	48.218%	18.590%	27.633%	49.408%
2018	47.907%	18.392%	27.900%	51.006%
2019	45.382%	16.330%	33.148%	49.055%
2020	45.253%	16.948%	23.385%	46.213%
2021	44.941%	16.152%	28.771%	44.306%
2022	45.242%	16.319%	24.986%	43.699%

Source: Anoka County Property Records and Taxation Department

Notes:

⁽¹⁾Coon Creek Watershed District is included with School District No. 11.

⁽²⁾Rice Creek Watershed District is included with School District No. 13, 14 and 16.

School District No. 16 ⁽¹⁾	County	Special Districts with Coon Creek	Special Districts with Rice Creek	Total Tax Capacity Rates By School Districts			
				School District No. 11 ⁽¹⁾	School District No. 13 ⁽²⁾	School District No. 14 ⁽²⁾	School District No. 16 ⁽²⁾
44.440%	44.411%	9.448%	N/A	128.022%	129.850%	152.513%	146.841%
44.562%	43.239%	9.559%	10.296%	129.640%	126.936%	151.664%	146.674%
40.045%	38.123%	8.591%	9.079%	112.704%	123.272%	139.132%	130.755%
39.609%	38.894%	9.688%	9.622%	114.427%	122.918%	147.728%	133.085%
40.229%	36.841%	6.758%	7.200%	110.407%	119.892%	141.667%	132.488%
39.617%	37.792%	6.892%	7.282%	110.983%	120.881%	143.987%	132.598%
37.632%	34.473%	6.265%	6.699%	102.450%	119.702%	135.609%	124.186%
35.452%	33.440%	6.120%	6.642%	101.761%	108.720%	131.548%	120.787%
33.110%	32.885%	4.354%	4.876%	98.332%	111.473%	127.008%	115.812%
33.380%	29.254%	4.224%	4.582%	95.039%	104.064%	122.777%	112.458%

CITY OF FRIDLEY, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
Current year and nine years ago

Taxpayer	2022			2013		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Medtronic, Inc.	\$1,977,709	1	4.47%	\$1,694,986	1	6.46%
Hyde Development	1,859,738	2	4.21%	N/A		N/A
Onan Corp (Cummins Power)	762,938	3	1.73%	387,262	4	1.48%
BNSF Railroad	715,926	4	1.62%	N/A		N/A
Target Corporation	712,850	5	1.61%	556,928	2	2.12%
Industrial Equities Group	607,784	6	1.37%	N/A		N/A
Fridley Medical Clinic	605,644	7	1.37%	N/A		N/A
Shamrock Investments	487,056	8	1.10%	531,876	3	2.03%
Cielo Partners LLC	483,191	9	1.09%	N/A		N/A
Fridley Market (60th/Main)	462,239	10	1.05%	N/A		N/A
University Avenue Associates	N/A		N/A	238,944	8	0.91%
Wal-Mart/Sam's Club	N/A		N/A	336,460	5	1.28%
Georgetown Apartments	N/A		N/A	244,066	7	0.93%
GPT Fridley / BAE	N/A		N/A	283,118	6	1.08%
River Pointe Apartments	N/A		N/A	187,570	10	0.71%
Lifetime Fitness	N/A		N/A	196,832	9	0.75%
Total	<u>\$8,675,075</u>		<u>19.62%</u>	<u>\$4,658,042</u>		<u>17.75%</u>
Total All Property	<u>\$44,207,182</u>			<u>\$26,252,539</u>		

Source: City Assessor

CITY OF FRIDLEY, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
Last ten fiscal years

Fiscal Year Ended Dec. 31	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of the Levy		Collections in Subsequent Years ¹	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$11,252,481	\$11,247,943	99.96%	\$4,538	\$11,252,481	100.00%
2014	11,511,288	11,372,812	98.80%	137,539	11,510,351	99.99%
2015	11,734,607	11,657,855	99.35%	75,335	11,733,190	99.99%
2016	12,200,835	12,172,555	99.77%	25,383	12,197,938	99.98%
2017	14,122,251	13,990,154	99.06%	124,808	14,114,962	99.95%
2018	14,807,913	14,804,501	99.98%	(5,939)	14,798,562	99.94%
2019	15,494,419	15,339,721	99.00%	101,240	15,440,961	99.65%
2020	16,109,557	16,030,087	99.51%	28,580	16,058,667	99.68%
2021	16,890,084	16,834,247	99.67%	24,165	16,834,247	99.67%
2022	17,392,070	17,326,104	99.62%	N/A	17,326,104	99.62%

¹Includes repayment of property taxes abatements

Source: City Finance Department

CITY OF FRIDLEY, MINNESOTA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten fiscal years

Fiscal Year	Governmental Activities					Business Type Activities	Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Improvement Bonds ²	Tax Increment Bonds ²	Equipment Certificates ²	Tax Abatement ²	Total	Revenue Bonds ²			
2013	\$4,955,000	\$ -	\$1,725,000	\$ -	\$6,680,000	\$6,415,000	\$13,095,000	1.69%	240
2014	4,000,000	-	1,530,000	-	5,530,000	5,845,000	11,375,000	1.58%	198
2015	3,010,000	-	1,330,000	-	4,340,000	5,260,000	9,600,000	1.31%	152
2016	1,980,000	-	1,130,000	-	3,110,000	10,645,000	13,755,000	1.69%	109
2017	49,585,000	-	925,000	-	50,510,000	8,045,000	58,555,000	7.25%	1,815
2018	48,400,000	-	720,000	-	49,120,000	7,130,000	56,250,000	6.74%	1,755
2019	47,115,000	9,510,000	510,000	-	57,135,000	6,185,000	63,320,000	7.28%	2,010
2020	45,790,000	14,050,000	295,000	-	60,135,000	5,455,000	65,590,000	7.01%	2,111
2021	44,495,000	13,420,000	150,000	-	58,065,000	3,580,000	61,645,000	6.61%	2,072
2022	43,245,000	12,715,000	-	20,730,000	76,690,000	3,015,000	79,705,000	7.50%	2,667

¹Demographic information can be found on Table 13

² Presented as gross amount of debt, not adjusted for original issuance premiums and discounts

CITY OF FRIDLEY, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2022

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Independent School District No. 11	\$245,055,000	1.60%	\$3,920,880
Independent School District No. 13	18,433,058	31.46%	5,799,040
Independent School District No. 14	42,025,000	100.00%	42,025,000
Independent School District No. 16	99,105,000	36.80%	36,470,640
Metro Council	1,717,186,171	1.19%	20,434,515
Anoka County	42,415,000	18.04%	7,651,666
Vocational/Technical District No. 916	71,500,000	2.21%	1,580,150
Subtotal - overlapping debt			117,881,891
City of Fridley - Direct debt			78,624,915
Total direct and overlapping debt	\$78,624,915	100.00%	\$196,506,806

Sources: Continuing Disclosure Document

¹Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.



This page intentionally left blank

CITY OF FRIDLEY, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
Last ten fiscal years

Market Value	\$3,425,676,400	
Debt Limit 3% of Market Value		\$102,770,292
Amount of Debt Applicable to Debt Limit:		
Total Debt	\$46,260,000	
Deductions:		
Revenue Bonds	<u>3,015,000</u>	<u>3,015,000</u>
Total Amount of Debt Applicable to Debt Limit		<u>43,245,000</u>
Legal Debt Margin		<u><u>\$59,525,292</u></u>

Legal Debt Margin Calculation for the last 10 Fiscal Years

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Amount of Debt Applicable to Debt Limit</u>
2013	\$61,725,015	\$1,725,000	\$60,000,015	2.79%
2014	58,457,403	1,530,000	56,927,403	2.62%
2015	64,381,899	1,330,000	63,051,899	2.07%
2016	66,220,902	1,130,000	65,090,902	1.71%
2017	72,490,155	50,055,000	22,435,155	69.05%
2018	76,729,887	48,790,000	27,939,887	63.59%
2019	85,648,197	56,935,000	28,713,197	66.48%
2020	92,204,535	60,070,000	32,134,535	65.15%
2021	102,827,526	58,065,000	44,762,526	56.47%
2022	102,770,292	46,260,000	59,525,292	57.92%

CITY OF FRIDLEY, MINNESOTA
PLEDGED-REVENUE COVERAGE
Last ten fiscal years

Fiscal Year	Improvement Bonds				Equipment Certificates			
	Special Assessment Collections	Debt Service		Coverage	Property Tax Collections	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2013	\$376,026	\$925,000	\$198,413	0.33	\$233,749	\$55,000	\$25,763	2.89
2014	932,078	955,000	166,235	0.83	234,357	195,000	25,653	1.06
2015	188,303	990,000	129,815	0.17	231,310	200,000	23,080	1.04
2016	166,895	1,030,000	92,090	0.15	234,359	200,000	20,330	1.06
2017	105,827	1,525,000	914,322	0.04	225,962	205,000	17,205	1.02
2018	52,979	1,185,000	1,747,988	0.02	232,848	205,000	13,855	1.06
2019	48,680	1,285,000	1,710,938	0.02	231,149	210,000	10,371	1.05
2020	25,154	1,325,000	1,671,788	0.01	157,817	215,000	6,570	0.71
2021	10,336	1,295,000	1,638,638	0.00	160,511	145,000	3,526	1.08
2022	-	1,250,000	1,594,113	0.00	(95)	150,000	1,238	0.00

Utility Revenue Bonds						Tax Increment Bonds			
Utility Service Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Tax Increment Collections	Debt Service		Coverage
			Principal	Interest			Principal	Interest	
\$7,961,738	\$6,839,852	\$1,121,886	\$655,000	\$235,474	1.26	\$0	\$0	\$0	0.00
8,363,415	6,987,095	1,376,320	570,000	223,459	1.73	-	-	-	-
8,936,287	7,405,596	1,530,691	585,000	203,060	1.94	-	-	-	-
9,938,517	7,381,382	2,557,135	610,000	181,610	3.23	-	-	-	-
10,499,230	8,374,461	2,124,769	2,600,000	261,888	0.74	-	-	-	-
11,442,218	9,307,210	2,135,008	915,000	180,688	1.95	-	-	-	-
11,365,473	9,608,209	1,757,264	945,000	155,763	1.60	-	-	-	-
11,603,610	9,812,423	1,791,187	730,000	134,838	2.07	-	-	280,368	-
12,592,252	9,681,907	2,910,345	1,875,000	131,838	1.45	-	630,000	460,038	-
12,952,485	12,091,570	860,915	565,000	66,763	1.36	-	705,000	426,663	-

CITY OF FRIDLEY, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last ten fiscal years

<u>Fiscal Year</u>	<u>Population</u>	<u>Unemployment Rate</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>
2013	27,785	4.4%	774,145,670	27,862
2014	27,952	4.2%	720,406,896	25,773
2015	28,547	3.9%	747,503,195	26,185
2016	28,631	3.9%	810,142,776	28,296
2017	28,667	3.8%	829,622,980	28,940
2018	28,824	3.1%	862,385,256	29,919
2019	28,981	3.3%	897,599,532	30,972
2020	29,924	7.5%	971,033,800	32,450
2021	29,806	5.0%	981,899,058	32,943
2022	29,962	2.6%	1,062,531,280	36,040

Sources: Metropolitan Council (population), Continuing Disclosure Document (unemployment rate)

CITY OF FRIDLEY, MINNESOTA
PRINCIPAL EMPLOYERS
Current year and nine years ago

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Medtronic, Inc.	3,400	1	14.02%	2,693	1	12.05%
Target	1,471	2	6.06%	758	4	3.39%
Mercy - Unity Medical Center	1,448	3	5.97%	1,510	2	6.76%
Cummins Power (Onan)	1,100	4	4.53%	1,325	3	5.93%
BAE Systems	600	5	2.47%	375	7	1.68%
ISD #14 (Fridley Schools)	563	6	2.32%	525	5	2.35%
Minco Products	350	7	1.44%	500	6	2.24%
Kurt Manufacturing	310	8	1.28%	250	9	1.12%
Wal-Mart	305	9	1.26%	288	8	1.29%
Taylor Communications	255	10	1.05%	N/A		N/A
Lofthouse Bakery	N/A		N/A	185	10	0.83%
Total	9,802		40.41%	8,409		37.63%
Total City Employment	24,257			22,345		

Source: Fridley Community Development Dept, MN Department of Employment and Economic Development

CITY OF FRIDLEY, MINNESOTA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last ten fiscal years

Function/Program	Full-Time Equivalent Employees as of December 31,			
	2013	2014	2015	2016
General government:				
City administration	4.0	4.7	4.7	5.0
Finance	18.0	16.0	16.0	15.0
Human resource	2.0	2.0	2.0	2.0
Community development	8.2	9.8	9.6	10.0
Customer Relations	-	-	-	-
Public safety:				
Police department	50.6	51.6	52.6	52.4
Fire department	7.8	7.6	7.0	7.0
Public works:				
Administration	1.2	0.6	1.5	1.5
Engineering	5.0	5.0	1.8	1.8
Mechanic	4.5	4.0	3.8	3.8
Streets	9.0	8.5	8.5	8.5
Water	7.0	7.0	7.8	7.8
Sewer	5.0	5.0	3.7	3.7
Parks	7.0	6.5	5.8	5.8
Storm Water	-	-	5.1	5.1
Parks and recreation:				
Parks and recreation	8.0	9.6	9.0	9.0
Total	137.3	137.9	138.9	138.4

Source: City Finance Department

Table 16

Full-Time Equivalent Employees as of December 31,					
2017	2018	2019	2020	2021	2022
5.0	5.0	5.0	4.0	5.0	7.0
15.0	16.1	16.9	3.0	3.0	3.0
2.0	2.8	3.0	-	-	-
10.0	10.0	10.0	17.9	23.5	21.6
-	0.7	1.0	10.0	10.0	10.0
52.4	52.1	54.1	54.9	55.8	55.8
7.0	7.0	6.0	4.9	6.0	6.0
1.8	1.8	2.8	2.8	3.0	3.0
2.1	2.1	2.1	2.1	2.1	2.1
3.8	3.8	3.8	5.8	5.8	5.8
8.8	8.8	8.8	8.9	8.7	8.7
7.9	7.9	7.9	4.0	3.6	3.6
3.7	3.7	3.7	7.9	8.2	8.4
5.8	5.8	5.8	4.6	4.2	4.2
5.1	5.0	5.0	6.7	5.3	6.1
9.8	10.2	9.0	11.7	10.8	11.3
140.0	142.8	144.9	149.1	155.0	156.6

CITY OF FRIDLEY, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last ten fiscal years

Function/Program	Fiscal Year			
	2013	2014	2015	2016
Police:				
Physical arrests	1,344	1,256	1,386	752
Parking violations	562	373	278	922
Traffic violations	2,826	3,245	2,592	2,601
Fire:				
Emergency responses	3,003	3,089	3,047	3,268
Fires occurred	119	110	103	127
Commercial inspections	1,110	1,505	1,663	789
Community development:				
Rental inspections	1,145	1,428	1,881	1,559
Refuse collection:				
Recyclables collected (tons per day)	6.21	6.22	6.33	5.99
Recyclables collected (pounds per person)	164.67	164.59	165.96	156.54
Building inspection:				
Permits issued:				
Residential	2,191	1,974	4,642	2,227
Commercial	440	492	642	599
Total permit valuation	\$40,697,477	\$47,109,811	\$60,598,103	\$73,636,057
Other public works:				
Street resurfacing (miles)	3.8	3.3	2.9	2.2
Recreation				
Total Program Participant hours	305,975	310,000	311,500	315,000
Total Senior Program Participant hours	69,818	70,000	62,218	65,500
Nature Center Education Participants	23,419	23,860	20,404	15,609
Nature Center Special Event Participants	N/A	N/A	N/A	4,751
Nature Center Facility Rental Visitors	N/A	N/A	N/A	N/A
Water:				
Connections	8,230	8,243	8,245	8,374
Storage capacity (gallons)	6,500,000	6,500,000	6,500,000	6,500,000
Average daily demand (gallons)	4,227,975	2,517,808	2,968,901	3,560,000
Peak daily demand (gallons)	9,009,000	7,439,000	6,803,000	6,392,000
Sewer:				
Connections	8,239	8,252	8,254	8,271

Sources: Various City departments.

Table 16

Item 16.

Fiscal Year					
2017	2018	2019	2020	2021	2022
979	1,043	911	761	1,247	1,365
553	612	1,741	671	841	1,289
2,250	2,622	1,932	1,883	1,395	1,258
3,439	2,415	2,596	3,342	3,003	3,372
126	126	105	123	159	162
867	829	1,672	862	397	588
1,434	1,410	1,643	1,260	1,374	1,494
6.62	6.20	6.37	6.57	5.79	5.68
169.25	158.29	162.28	163.28	142.72	140.32
1,804	2,007	2,093	2,329	2,278	2,095
612	514	453	378	430	297
\$103,663,306	\$91,601,072	\$98,100,786	\$99,191,402	\$87,575,510	\$32,218,314
1.9	0.2	0.6	3.6	2.2	1.8
300,000	321,927	58,354	6,892	50,765	50,770
65,500	21,615	N/A	N/A	N/A	N/A
16,339	16,872	15,587	3,785	10,581	18,343
2,670	4,200	3,700	145	3,528	6,168
5,364	5,500	4,456	1,059	1,419	3,901
8,259	8,261	8,305	8,343	8,362	8,364
6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
3,390,000	3,233,000	3,056,000	3,370,000	3,480,000	3,490,000
6,379,000	5,900,000	5,720,000	6,458,000	7,345,000	6,443,000
8,235	8,239	8,291	8,326	8,344	8,346

CITY OF FRIDLEY, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last ten fiscal years

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Squad cars	12	15	13	13	12	15	15	15	15	15
Fire stations	3	3	3	3	3	3	2	2	2	2
Other public works:										
Streets (miles)	125.3	125.3	125.5	125.5	125.5	125.8	126.1	126.1	126.1	126.1
Highways (miles)	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
Streetlights	1,059	1,059	1,059	1,059	1,059	1,059	1,093	1,123	1,123	1,123
Traffic signals	36	36	36	36	36	36	36	36	36	36
Parks and recreation:										
Acreage	682	682	682	682	682	665	665	666	666	666
Playgrounds	29	29	29	29	29	28	28	29	29	29
Baseball/softball diamonds	22	22	22	22	21	21	21	21	21	21
Soccer/football fields	2	2	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	113.0	113.0	113.2	113.2	113.2	116.0	117.5	127.0	127.8	127.8
Fire hydrants	1,013	1,013	1,013	1,013	1,013	1,020	1,040	1,040	1,070	1,420
Storage capacity (million gallons)	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Wastewater:										
Sanitary sewers (miles)	103.0	103.0	103.0	103.0	103.0	106.0	107.5	109.0	109.0	109.2
Storm sewers (miles)	102.0	102.0	102.2	102.2	102.2	104.5	107.0	115.5	115.5	115.5

Sources: Various City departments.

CITY OF FRIDLEY, MINNESOTA

AUDIT MANAGEMENT LETTER

December 31, 2022

- This page intentionally left blank -



To the Honorable Mayor and
Members of the City Council
City of Fridley, Minnesota

We have completed the 2022 audit of the City of Fridley, Minnesota and have issued our report thereon. Our Independent Auditor's Report is included in the City's Annual Comprehensive Financial Report.

This Audit Management Letter provides a summary of audit results along with comparisons and trend analysis of financial results.

Thank you for the opportunity to serve the City. We are available to discuss this report with you.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 5, 2023

- This page intentionally left blank -

City of Fridley, Minnesota

Audit Management Letter

Report Summary

REPORT SUMMARY

Several reports are issued in conjunction with the audit. A brief summary is as follows:

Report Name	Elements of Report	Overview
<i>Annual Comprehensive Financial Report (ACFR)</i>	• Management's Discussion and Analysis • Financial statements • Footnotes • Supplemental information • Statistical information	• Unmodified ("clean") opinion on the Basic Financial Statements
<i>Report on Internal Control over Financial Reporting and on Compliance and Other Matters</i>	<i>Results of testing</i> • Internal controls over financial reporting • Compliance with laws, regulations, contracts and grants	• One internal control finding – audit adjustments
<i>State Legal Compliance Report</i>	• Results of testing certain provisions of Minnesota Statutes	• No compliance findings

City of Fridley, Minnesota

Audit Management Letter

Excellence in Financial Reporting

NATIONAL RECOGNITION FOR EXCELLENCE IN FINANCIAL REPORTING

The “Certificate of Achievement for Excellence in Financial Reporting” is an award program offered by the Government Finance Officers Association of the United States and Canada (GFOA). This Award Program has three key objectives:

- Recognize governments that issue a high-quality ACFR.
- Easily readable and understandable Financial Report.
- Providing educational materials, comments, and suggestions for improvements to program participants.

The City of Fridley, Minnesota has been awarded the Certificate of Achievement for Excellence in Financial Reporting every year since 2011.

Continued participation in this program demonstrates the City’s commitment to financial reporting.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Fridley
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

City of Fridley, Minnesota

Audit Management Letter

Financial Statement Summary

SUMMARY OF FINANCIAL ACTIVITY

The financial statement document is very complex. Individual fund information is presented in several different sections of the document. As such, a summary of financial activity of the City's Governmental Funds for 2022 is presented below:

Fund Type	Revenues	Expenditures	Bonds Issued	Interfund Transfers (Net)	Change in Fund Balance	Fund Balance 12/31/22
General	\$19,520,000	\$19,657,000	\$ -	\$260,000	\$123,000	\$10,848,000
Special Revenue	1,712,000	1,721,000	-	-	(9,000)	1,572,000
Debt Service	4,307,000	4,129,000	-	-	178,000	3,713,000
Capital Project	3,298,000	3,987,000	22,212,000	79,000	21,602,000	43,146,000
Total	<u>\$28,837,000</u>	<u>\$29,494,000</u>	<u>\$22,212,000</u>	<u>\$339,000</u>	<u>\$21,894,000</u>	<u>\$59,279,000</u>

Additional detail by fund is presented on the next page.

City of Fridley, Minnesota

Audit Management Letter

Financial Statement Summary

Fund	Revenues	Expenditures	Bonds Issued	Interfund Transfers (Net)	Change in Fund Balance/ Net Position	Fund Balance/ Net Position 12/31/2022
General	\$19,519,803	\$19,657,024	\$ -	\$259,715	\$122,494	\$10,847,833
Special Revenue:						
Cable TV	259,479	322,909	-	-	(63,430)	1,127,596
Solid Waste Abatement	523,716	524,558	-	-	(842)	86,769
Drug and Gambling Forfeiture	76,905	32,264	-	-	44,641	117,334
Police Activity	226,953	231,730	-	-	(4,777)	22,599
Springbrook Nature Center	653,291	609,061	-	-	44,230	231,115
CARES/ARPA	(28,582)	-	-	-	(28,582)	(13,792)
Debt Service:						
Debt Service Fund	4,306,981	4,129,414	-	-	177,567	3,713,444
Capital Project:						
Building Improvements	(2,805)	190,805	-	-	(193,610)	1,766,623
Park Improvements	321,878	1,005,460	22,211,771	32,585	21,560,774	23,335,188
Street Improvements	1,962,807	1,985,783	-	(103,800)	(126,776)	2,529,230
Information System Improvement	263,052	294,038	-	-	(30,986)	390,214
Capital Equipment	865,184	461,279	-	250,000	653,905	2,005,625
Special Assessment	33,261	33,413	-	-	(152)	36,314
Community Investment	(145,776)	11,035	-	(100,000)	(256,811)	13,082,582
TIF 20 Note Payoff	35	5,268	-	-	(5,233)	-
Enterprise:						
Liquor	6,490,587	6,065,229	-	(338,500)	86,858	2,200,167
Water	4,375,963	3,228,203	-	-	1,147,760	15,236,661
Sewer	7,110,448	6,246,240	-	-	864,208	9,541,473
Storm Water	2,473,481	1,471,242	-	-	1,002,239	11,441,649
Internal Service:						
Employee Benefits	1,719,890	2,630,214	-	-	(910,324)	(10,685,970)
Self Insurance	317,075	501,024	-	-	(183,949)	841,968
HRA:						
General	1,099,322	870,782	-	-	228,540	19,780,037
Housing Loan	18,080	236,174	-	-	(218,094)	2,778,443
Tax Increment	5,406,873	3,008,552	-	-	2,398,321	(4,218,522)
Total	\$57,847,901	\$53,751,701	\$22,211,771	\$ -	\$26,307,971	\$106,194,580

City of Fridley, Minnesota

Audit Management Letter

Property Taxes

Property Tax Collection

The City of Fridley continues to have a strong property tax collection rate. A schedule of the collection rate for the past seven years is as follows:

Year	Certified Tax Levy	Collection Rate
2016	\$12,200,835	99.8%
2017	14,122,251	99.1%
2018	14,807,913	99.9%
2019	15,494,419	99.0%
2020	16,109,557	99.5%
2021	16,890,094	99.7%
2022	17,392,070	99.6%

**City of Fridley,
Minnesota**

Audit Management Letter

General Fund
GENERAL FUND

The General Fund balance increased \$123,000 during 2022. A budgetary comparison for 2022 is as follows:

	2022		Budget Variance
	Budget	Actual	
Revenues	\$20,012,000	\$19,520,000	(\$492,000)
Expenditures	20,276,000	19,657,000	619,000
Revenues over (under) expenditures	(264,000)	(137,000)	127,000
Transfers from other funds	264,000	260,000	(4,000)
Transfers to other funds	-	-	-
Total transfers	264,000	260,000	(4,000)
Net change in fund balance	<u>\$ -</u>	123,000	<u>\$123,000</u>
Fund Balance - January 1		<u>10,725,000</u>	
Fund Balance - December 31		<u>\$10,848,000</u>	

Detail of the preceding budget variances is presented in Exhibit B-1 of the 2022 Annual Comprehensive Financial Report. A summary of the significant budget variances are as follows:

Revenue:

Licenses and Permits – Permit revenue was less than budget by \$328,000.

Investment income was less than budget by \$210,000 due to year-end market value adjustment.

City of Fridley, Minnesota

Audit Management Letter

General Fund

Miscellaneous Revenue – Miscellaneous revenues exceeded budget by \$138,000, primarily as a result of donations, gambling tax collections and reimbursements greater than expected.

Expenditures:

General Government – Expenditures were less than budget by \$308,000. This is primarily a result of personnel costs less than budget across multiple divisions.

Public Works - Expenditures were less than budget by \$75,000. This is primarily a result of personnel costs less than budget across multiple divisions.

Community Development – Expenditures were less than budget by \$121,000.

Fund balance:

The fund balance of the General Fund was \$10,847,833 as of December 31, 2022. Further detail on the components of fund balance is as follows:

Fund Balance Component	December 31, 2022 Amount	December 31, 2021 Amount
Nonspendable	\$225,418	\$105,578
Restricted	58,765	20,849
Unassigned:		
Cash flow purposes (50%)	10,527,250	9,816,950
Remaining balance	36,400	781,962
Total	<u>\$10,847,833</u>	<u>\$10,725,339</u>

**City of Fridley,
Minnesota**

Audit Management Letter

*General Fund***Fund Balance – Cash Flow Purposes**

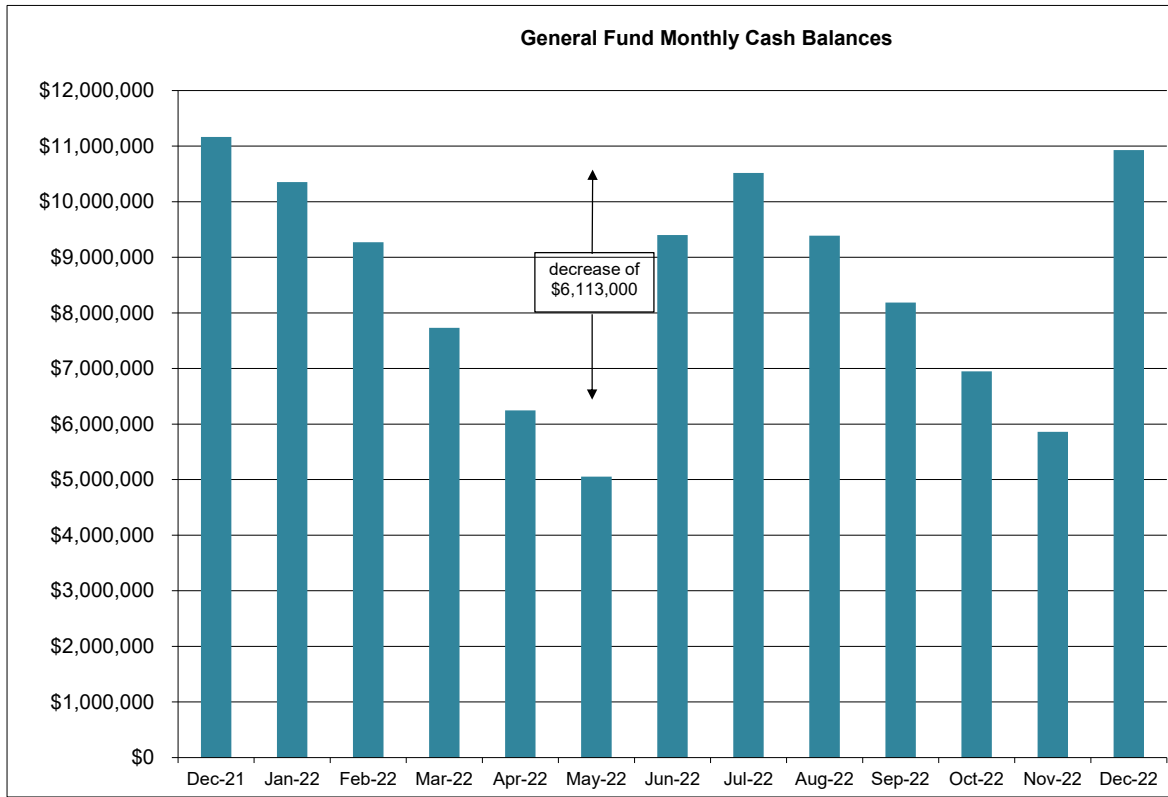
Over 73% of General Fund revenue is from property taxes and Local Government Aid (LGA). These monies are not received until the second half of the fiscal year. As such, working capital is necessary for cash flow operations during the first half of the year. In 2011, the City approved an unassigned General Fund Balance policy. The policy is to maintain a General Fund balance in the range of 35% - 50% of the subsequent years budgeted expenditures. The unassigned General Fund balance at December 31, 2022 was \$10,563,650 which is 50.2% of the 2023 budgeted expenditures of \$21,054,500. The City has a policy of transferring amount over 50% to the Community Investment Fund.

City of Fridley, Minnesota

Audit Management Letter

General Fund

The following graph of General Fund monthly cash balances illustrates the need for working capital.



City of Fridley, Minnesota

Audit Management Letter

Special Revenue Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are a classification of funds to account for revenues (and related expenditures) segregated by City policy or Federal or State Statutes for specific purposes. The City maintained six Special Revenue Funds during 2022 as follows:

Fund	Revenues and Other Sources	Expenditures and Other Uses	Interfund Transfers Net	Net Change in Fund Balance	12/31/2022 Fund Balance (Deficit)
Cable TV	\$259,479	\$322,909	\$ -	(\$63,430)	\$1,127,596
Solid Waste Abatement	523,716	524,558	-	(842)	86,769
Drug and Gambling Forfeiture	76,905	32,264	-	44,641	117,334
Police Activity	226,953	231,730	-	(4,777)	22,599
Springbrook Nature Center	653,291	609,061	-	44,230	231,115
CARES/ARPA	(28,582)	-	-	(28,582)	(13,792)
Totals	<u>\$1,711,762</u>	<u>\$1,720,522</u>	<u>\$0</u>	<u>(\$8,760)</u>	<u>\$1,571,621</u>

Springbrook Nature Center

Similar to the City's General Fund, the Springbrook Nature Center Fund's primary revenue source is property taxes. Due to the timing of receipt of property taxes (July and December), a reserve is needed to fund operations between property tax receipts. A recommended reserve amount is 50% of the annual tax levy, which is approximately \$230,000.

CARES/ARPA

This fund was established in 2021 to account for the federal Coronavirus Relief Fund monies. The deficit fund balance is a result of market value adjustments of investments allocated to the fund.

City of Fridley, Minnesota

Audit Management Letter

Debt Service Funds

DEBT SERVICE FUNDS

Debt Service Funds are a type of governmental fund to account for the accumulation of resources for the payment of interest and principal on debt (other than Enterprise Fund debt).

Current governmental reporting standards do not provide for the matching of long-term debt with its related financing sources. Although this information can be found in the City's Financial Report, it is located in several different sections of the Financial Report. The following schedule extracts information from these different sections to provide an overview analysis of long-term debt and its related funding.

Bond Issue	Fund Balance at 12/31/2022	Debt Payable at 12/31/2022	Source of Repayment
General Obligation Bonds:			
Equipment Certificates	\$85,059	\$ -	Property taxes
G.O. CIP Bonds, Series 2017A (Civic Campus)	3,082,656	43,245,000	Property taxes
G.O. Tax Increment Bonds, 2019A	405,863	9,510,000	Tax Increment
G.O. Tax Increment Bonds, 2020A	192,854	3,205,000	Tax Increment
G.O. Tax Abatement Bonds, 2022A	(475)	20,730,000	Property taxes
Special Assessment Bonds:			
G.O. Improvement Bonds, Series 2010A	(52,513)	-	Property taxes and assessments
Total	<u>\$3,713,444</u>	<u>\$76,690,000</u>	

City of Fridley, Minnesota

Audit Management Letter

Capital Projects Funds

CAPITAL PROJECTS FUNDS

The financial activity of the Capital Project Funds for 2022 was as follows:

Fund	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2022	Comments
Street Improvements	\$1,962,807	\$1,985,783	(\$103,800)	(\$126,776)	\$2,529,230	2022 expenditures include street rehab.
Special Assessment Construction Capital Projects	33,261	33,413	-	(152)	36,314	
Building Improvements	(2,805)	190,805	-	(193,610)	1,766,623	2022 expenditures include Cold Storage and Concrete Sealing
Park Improvements	321,878	1,005,460	32,585	21,560,774	23,335,188	2022 expenditures include improvements at Sprinbrook Nature Center and Moore Lake
Information System Improvement	263,052	294,038	-	(30,986)	390,214	Routine technology purchases and upgrades.
Capital Equipment	865,184	461,279	250,000	653,905	2,005,625	Revenues include LGA (\$828k). 2022 expenditures include fire equipment and expenditures related to vehicle leases.
Community Investment	(145,776)	11,035	(100,000)	(256,811)	13,082,582	Created in 2018 and funded by interfund transfers from the Closed Bond Fund. The fund received partial repayment of outstanding interfund loans in 2022.
TIF Note 20 Payoff	35	5,268	-	(5,233)	-	
Totals	\$3,297,636	\$3,987,081	\$78,785	\$21,601,111	\$43,145,776	

City of Fridley, Minnesota

Audit Management Letter

ENTERPRISE OPERATING FUNDS

The City maintains four Enterprise Operating Funds. The financial statements for these funds are presented in Exhibits A-6 through A-8 of the 2022 Annual Comprehensive Financial Report.

Summary of Cash Flow

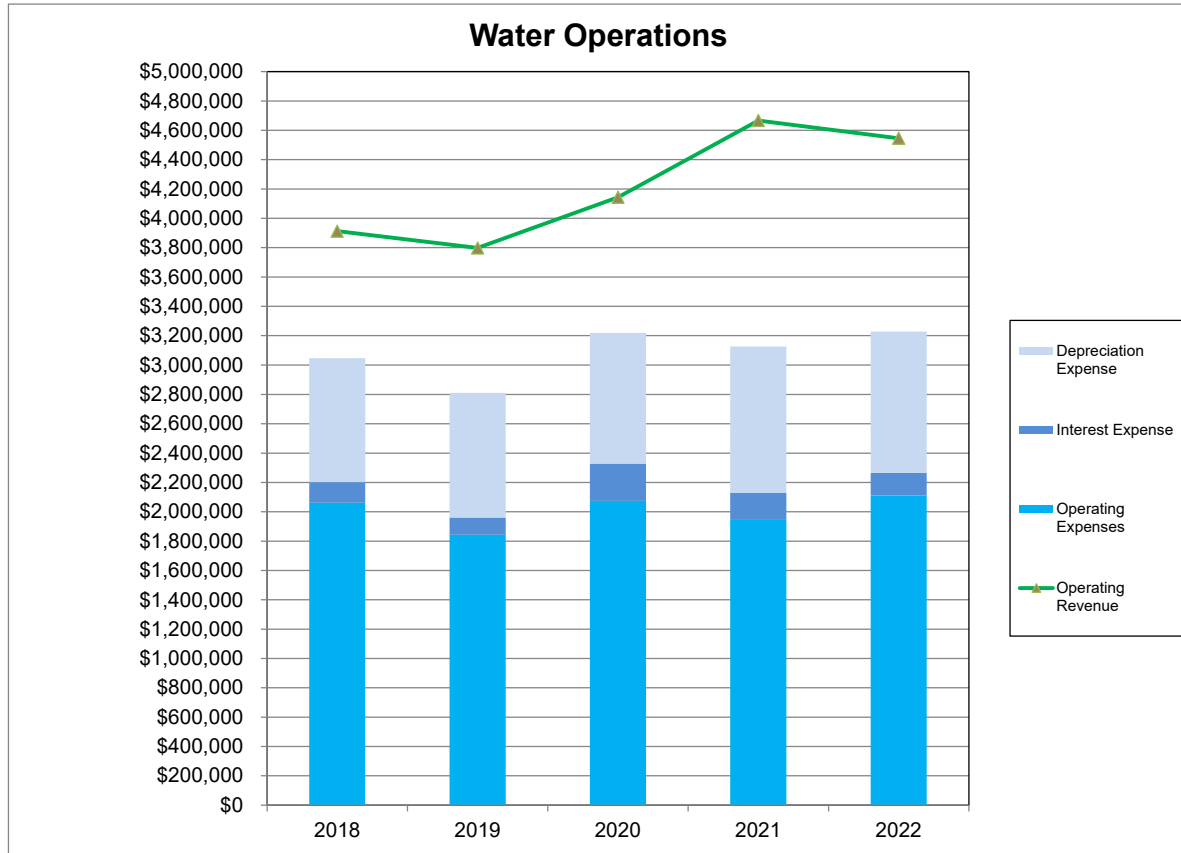
	Water	Sewer	Storm Water	Liquor	Total
Cash flows from operating activities	\$2,535,015	\$785,331	\$607,644	\$608,845	\$4,536,835
Cash flows from financing activities:					
Intergovernmental revenue	7,229	497,348	342,950	-	847,527
Transfer to other funds	-	-	-	(338,500)	(338,500)
Cash flows from capital and related financing activities:					
Debt service	(736,212) a	(4,200)	(3,100)	(43,708)	(787,220)
Purchase of capital assets	(622,728) b	(508,522) c	(386,061) d	-	(1,517,311)
Capital grants	-	(524)	34,000	-	33,476
Interfund loan	(473,154)	(40,000)	(25,000)	-	(538,154)
Lease related	-	-	-	(102,133)	(102,133)
All other	7,014	-	2,499	-	9,513
Cash flows from investing activities:					
Investment income	(194,219)	(76,635)	(85,435)	(31,088)	(387,377)
Net change in cash and investments	<u>\$522,945</u>	<u>\$652,798</u>	<u>\$487,497</u>	<u>\$93,416</u>	<u>\$1,756,656</u>
Cash and investments - December 31	<u>\$6,408,139</u>	<u>\$3,501,565</u>	<u>\$3,179,246</u>	<u>\$1,404,931</u>	<u>\$14,493,881</u>
a - includes principal payments of \$565,000.					
b - includes the following activity:					
	\$210,725	Well update project			
	\$264,183	Water lines replacement			
c - includes the following activity:					
	\$508,522	Sewer Relining			
d - includes the following activity:					
	\$44,450	East Moore Lake filter project			
	\$128,850	Alden Way Sewer Rehab			
	\$161,995	Storm infrastructure completed in conjunction with improvement projects			

City of Fridley, Minnesota

Audit Management Letter

Water Operations

A chart of income from operations is presented below:

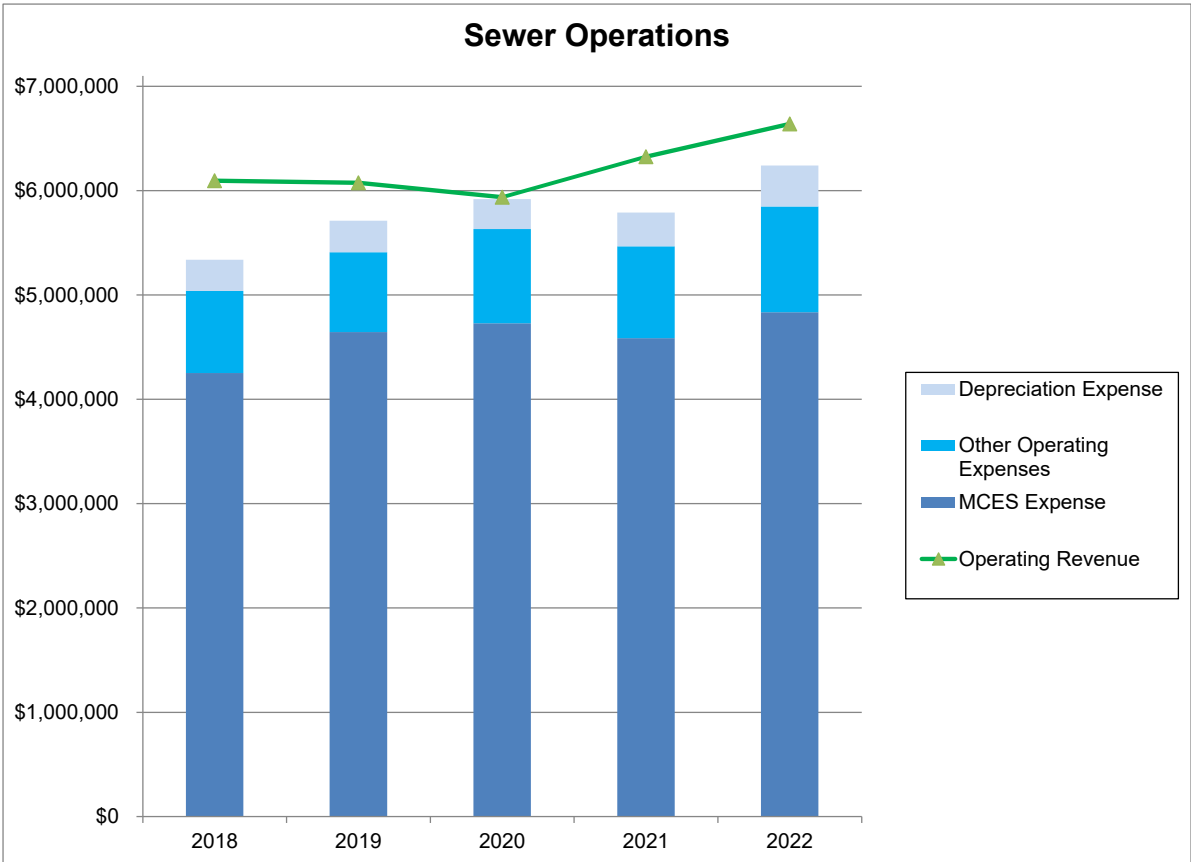


**City of Fridley,
Minnesota**

Audit Management Letter

Sewer Operations

A chart of net income from operations is presented below:



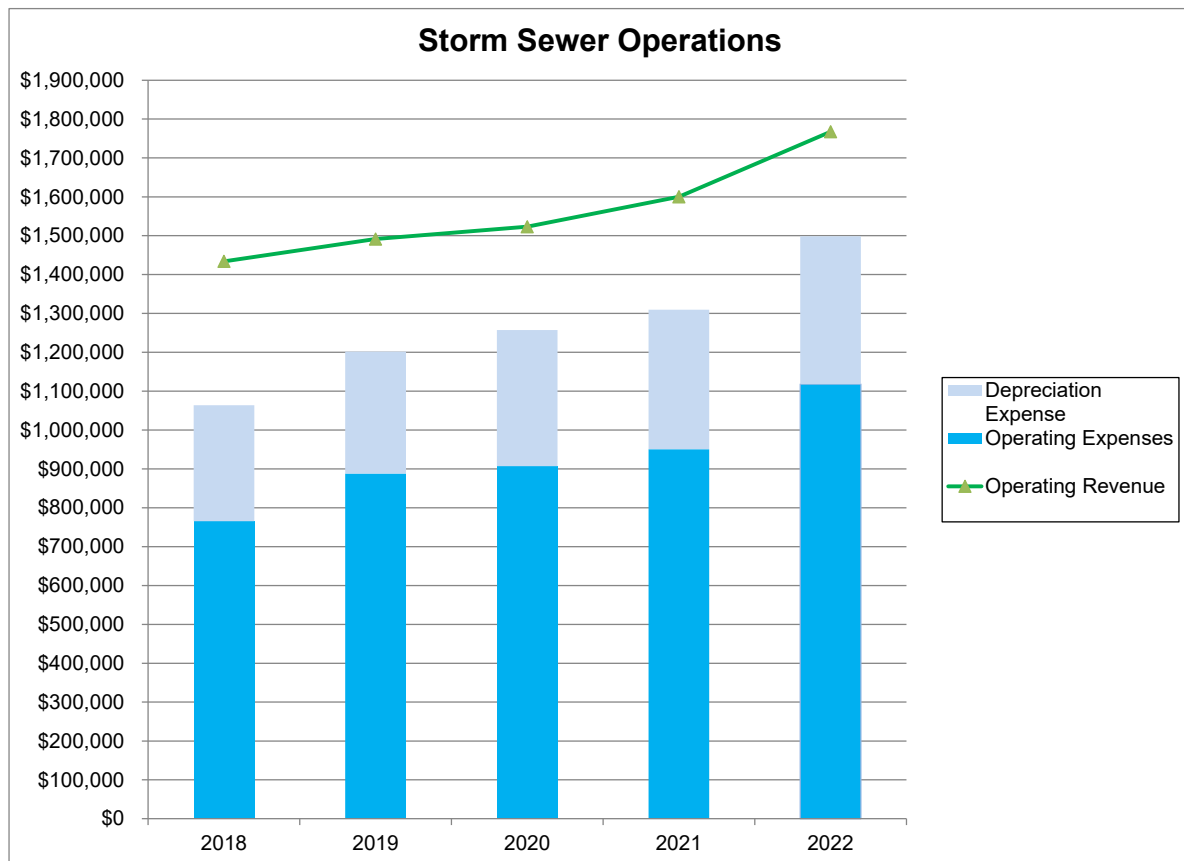
City of Fridley, Minnesota

Audit Management Letter

Storm Water Operations

The Storm Water Operations Fund is designed to accumulate resources for future storm water systems and/or improvements to existing systems. Operating expenses consist primarily of maintenance costs.

A chart of net income from operations is presented below:



City of Fridley, Minnesota

Audit Management Letter

Municipal Liquor Fund

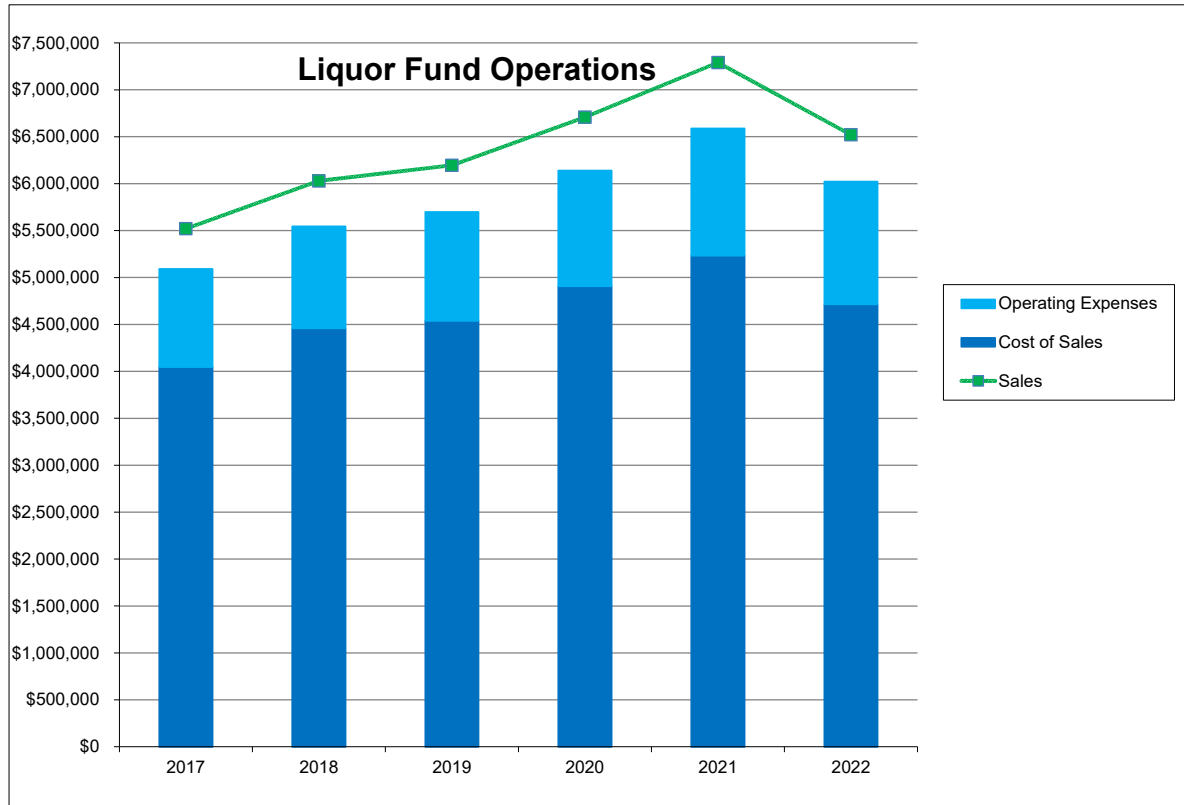
A summary of operations for the past three years is as follows:

	2020		2021		2022	
	Amount	Percent	Amount	Percent	Amount	Percent
Sales	\$6,708,539	100.0%	\$7,290,355	100.0%	\$6,521,618	100.0%
Cost of sales	4,906,841	73.1%	5,231,959	71.8%	4,713,669	72.3%
Gross profit	1,801,698	26.9%	2,058,396	28.2%	1,807,949	27.7%
Operating expenses:						
Personal services	660,524	9.8%	708,858	9.7%	660,604	10.1%
Supplies and other charges	537,825	8.0%	610,852	8.4%	467,363	7.2%
Depreciation and amortization	34,823	0.5%	36,669	0.5%	179,886	2.8%
Total operating expense	1,233,172	18.3%	1,356,379	18.6%	1,307,853	20.1%
Operating income	\$568,526	8.6%	\$702,017	9.6%	\$500,096	7.6%

City of Fridley, Minnesota

Audit Management Letter

A graph of net income from operations for the past five years is as follows:



City of Fridley, Minnesota

Audit Management Letter

HOUSING AND REDEVELOPMENT AUTHORITY

Financial reporting standards require a City's Annual Comprehensive Financial Report to include all component units of the City.

The definition of a component unit is "a legally separate organization for which the elected officials of the primary government [City of Fridley] are financially accountable." The Housing and Redevelopment Authority (HRA) is considered a component unit of the City for financial reporting purposes.

Detail of the funds included in the HRA is presented in Exhibits F-1 through F-4 of the 2022 Annual Comprehensive Financial Report.

A summary of the individual funds is as follows:

District No.	Name	Revenue	Expenditures	Interfund Transfers	Change in Fund Balance	Fund Balance 12/31/2022
	General Fund	\$1,099,322	\$870,782	\$ -	\$228,540	\$19,780,037
	Housing Loan Fund	18,080	236,174	-	(218,094)	2,778,443
	Subtotal	1,117,402	1,106,956	-	10,446	22,558,480
	Tax Increment Funds:					
6	Lake Pointe	583,687	533,915	-	49,772	(160,169)
12	McGlynn Bakery	-	70,428	-	(70,428)	61,341
13	Satellite Lane Apartments	48,897	932	-	47,965	447,893
17	Gateway East	47,506	11,576	-	35,930	(121,032)
18	Gateway West	43,105	12,737	-	30,368	(190,594)
19	Main Street	141,263	137,092	-	4,171	-
21	Gateway Northeast	556,237	148,350	-	407,887	(2,458,986)
HR1	Housing Replacement	57,850	1,023	-	56,827	184,031
20	BAE Northern Stacks	2,160,207	1,186,563	-	973,644	2,738,833
20A	BAE Hazardous Sub District	286,389	94,035	-	192,354	(2,468,255)
22	Northstar Transit Station	1,207,842	582,606	-	625,236	2,095,323
23	Locke Point Park	227,660	186,614	-	41,046	(4,292,484)
24	Northern Stacks VIII	46,230	42,075	-	4,155	(28,570)
25	Holly Center	-	606	-	(606)	(25,853)
	Subtotal	5,406,873	3,008,552	0	2,398,321	(4,218,522)
	Total	\$6,524,275	\$4,115,508	\$0	\$2,408,767	\$18,339,958

City of Fridley, Minnesota

Audit Management Letter

Individual funds that report a deficit have financed the deficit by an interfund loan from the HRA's General Fund. A schedule of interfund loans as of December 31, 2022 is as follows:

Fund	Due From	Due To
General	\$9,731,717	\$ -
Lake Pointe	-	160,303
Gateway East	-	121,032
Gateway West	-	190,594
Gateway Northeast	-	2,458,986
BAE Hazardous Sub District	-	2,471,857
Northern Stacks VIII	-	7,767
Holly Center	-	25,853
Locke Point Park	-	4,295,325
Total	<u>\$9,731,717</u>	<u>\$9,731,717</u>

If any of the above balances are not expected to be repaid within a reasonable time, accounting standards require that they be reclassified as a transfer. We recommend that the HRA review the likelihood of repayment of the above loans and authorize transfers for any that may not be repaid.

**City of Fridley,
Minnesota**

Audit Management Letter

Accounting Standards
ACCOUNTING STANDARDS

Governmental Accounting Standards Board (GASB) statements that are required to be implemented in future years that may affect the City are as follows:

Upcoming GASB Statements	City Implementation Required By
Statement No. 94 <i>Public-Private and Public-Public Partnerships</i>	2023
Statement No. 96 <i>Subscription-based Information Technology Arrangements</i>	2023
Statement No. 99 <i>Omnibus 2022</i>	2023
Statement No. 100 <i>Accounting for Changes and Error Corrections</i>	2024

City of Fridley, Minnesota

Audit Management Letter

Communication with Those Charged with Governance

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Fridley for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 7, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 20 to the financial statements, the City adopted new accounting guidance for 2022, Governmental Accounting Standards Board Statement No. 87, *Leases*. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

**City of Fridley,
Minnesota**

Audit Management Letter

Communication with Those Charged with Governance

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements are the estimated present value of the lease receivable and lease liability, and the estimates used to calculate the net pension liability, the pension related deferred outflows and inflows of resources, and pension expense. These estimates are based on the City's estimated incremental borrowing rate as of January 1, 2022 and actuarial studies. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Determining sensitivity is subjective, however, we believe the disclosure most likely to be considered sensitive is Note 7 – Defined Benefit Pension Plans.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**City of Fridley,
Minnesota**

Audit Management Letter

*Communication with Those Charged with Governance***Corrected and Uncorrected Financial Statement Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements that have an effect on our opinion on the financial statements. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. The following material misstatements detected as a result of audit procedures were corrected by management:

- Recognition of \$50,000 of revenue from a developer's deposit relating to a City project that was substantially completed and therefore earned in 2021. This correction resulted in a prior period adjustment.
- Net adjustments to the lease receivable accrual of approximately \$607,000 to properly accrue the receivable amounts at year end.
- Adjustments to intergovernmental revenue accruals relating to ARPA and an MPCA grant. The net amounts of the adjustments are approximately \$9,000, however the individual adjustments are considered material for the Sewer and Storm Water funds.

**City of Fridley,
Minnesota**

Audit Management Letter

*Communication with Those Charged with Governance***Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 5, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**City of Fridley,
Minnesota**

Audit Management Letter

*Communication with Those Charged with Governance***Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters**RSI and Supplementary Information**

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison information reported as RSI, the schedule of proportionate share of net pension liability, the schedule of pension contributions, OPEB related RSI, and the notes to required supplementary information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on that RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the

**City of Fridley,
Minnesota**

Audit Management Letter

Communication with Those Charged with Governance

method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, statistical section and other information section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City of Fridley's City Council and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

- This page intentionally left blank -