PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 25, 2017

NEW ISSUE **NOT RATED**

In the opinion of Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, as of their date of issuance, except as described under the heading "Tax Matters" herein, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is excluded, to the same extent, in computing both gross and taxable net income for purposes of State of Minnesota income taxation (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of computing federal and State of Minnesota alternative minimum taxes, but interest on the Bonds is taken into account for the purpose of determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code. No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX MATTERS" herein.

$39,730,000*
CITY OF ANOKA, MINNESOTA
Housing Revenue Refunding Bonds
(The Homestead at Anoka, Inc. Project)
Series 2017

Dated: Date of Issue **Due: as shown on the inside front cover hereof**

The above-referenced obligations (the "Bonds"), are issuable only in fully registered form without coupons in the denomination of $5,000 principal amount or any greater integral multiple thereof. Interest on the Bonds will be payable on May 1 and November 1 of each year, commencing on May 1, 2017. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York. Principal of and interest on the Bonds is payable by U.S. Bank National Association, as trustee (the "Trustee"), to Cede & Co., which will remit such payments to the DTC Participants (as defined herein) for subsequent disbursement to the purchasers of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds are being issued pursuant to a Trust Indenture dated as of November 1, 2011, as supplemented by the First Supplemental Trust Indenture dated as of December 1, 2014 and as further supplemented by the Second Supplemental Trust Indenture dated as of February 1, 2017 (collectively, the "Indenture"), by and between the City of Anoka, Minnesota (the "Issuer") and the Trustee. The proceeds of the Bonds will be loaned to The Homestead at Anoka, Inc., a Minnesota nonprofit corporation (the "Company"), in order to refund the "Series 2011 Bonds" described herein, that were issued with respect to the Borrower's existing health care and senior housing development located in Anoka, Minnesota (the "Project Facilities"), and to pay certain costs of issuance of the Bonds. The Bonds are being issued as "Additional Bonds" under the Indenture on a parity with the existing "Parity Bonds" as described herein. The Bonds and the Parity Bonds are payable solely from the funds held under the Indenture. Such amounts include a debt service reserve fund and loan repayments to be made by the Company pursuant to the Loan Agreement (described herein). The Company's obligations under the Loan Agreement, the Bonds and the Parity Bonds are secured by a first mortgage lien on and security interest in the Project Facilities and an assignment of all rents, revenues and profits therefrom.

AN INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN RISKS. SEE "BONDHOLDERS' RISKS" HEREIN.

The Bonds are special, limited obligations of the Issuer. The Bonds and the interest thereon do not constitute nor give rise to a pecuniary liability, general or moral obligation or a pledge of the full faith and credit of the Issuer, the State of Minnesota, or any political subdivision of the State of Minnesota within the meaning of any constitutional or statutory limitations. Neither the State of Minnesota nor any political subdivision of the State of Minnesota nor the Issuer shall be obligated to pay the principal of the Bonds, the interest thereon or other costs incident thereto except from revenues pledged therefor under the Indenture, all as more fully set forth in the Indenture. Neither the full faith and credit nor the taxing power of the Issuer, the State of Minnesota, nor any political subdivision thereof, is pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving opinion of Faegre Baker Daniels, LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the Company by Messerli & Kramer P.A., Minneapolis, Minnesota, and for the Underwriter by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about February ____, 2017. The Underwriter expects, but is not required, to engage in secondary market trading in the Bonds, subject to applicable securities laws. For information with respect to the Underwriter and its compensation, see the caption "UNDERWRITING" herein.

HJ SIMS

The date of this Official Statement is February ___, 2017

* Preliminary; subject to change.

MATURITY SCHEDULE*

$3,120,000 Serial Bonds

Maturity Date (November 1)	Principal Amount	Interest Rate	Price	CUSIP
2019	$740,000			
2020	765,000			
2021	790,000			
2022	825,000			

$4,655,000 _____% Term Bonds Due November 1, 2027 – Price _____%, CUSIP_____
$13,100,000 _____% Term Bonds Due November 1, 2037 – Price _____%, CUSIP_____
$9,670,000 _____% Term Bonds Due November 1, 2046 – Price _____%, CUSIP_____
$9,185,000 _____% Term Bonds Due November 1, 2046 – Price _____%, CUSIP_____

*preliminary; subject to change

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

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

Aerial Photo of Project Facilities

View of Parking Lot and Front Entrance

Interior Common Area

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IN CONNECTION WITH THIS OFFERING THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES IN ACCORDANCE WITH APPLICABLE SECURITIES OR BLUE SKY LAWS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER JURISDICTIONS SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THESE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE. THE ISSUER HAS NOT ASSUMED ANY RESPONSIBILITY TO REVIEW THIS OFFERING MATERIAL AND HAS NO RESPONSIBILITY FOR ITS ACCURACY OR COMPLETENESS. THE ISSUER HAS NO FINANCIAL OBLIGATION OF ANY NATURE WITH RESPECT TO THE OFFERED BONDS.

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

The Underwriter has reviewed the information herein in accordance with, and as part of, its responsibilities to investors under 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.

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SUMMARY INFORMATION

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

The Bonds	$39,730,000* City of Anoka, Minnesota Housing Revenue Refunding Bonds (The Homestead at Anoka, Inc. Project) Series 2017, to be issued in denominations of $5,000 principal amount or any greater integral multiple thereof. Individual purchases of interests in the Bonds will be made only in book-entry form through the facilities of The Depository Trust Company. See "THE BONDS - General" and "THE BONDS—Book-Entry Only System."
Payment	Interest accrues on the Bonds at the rates set forth on the inside cover page hereof and is scheduled to be paid on May 1 and November 1 of each year, commencing May 1, 2017. Principal of the Bonds is scheduled to be paid on November 1 of each year, commencing November 1, 2019. See "THE BONDS - General."
Redemption and Prepayment	As more fully described herein, the Bonds are subject to redemption and prepayment as follows: (i) mandatory redemption of the Bonds upon a Determination of Taxability at a redemption price equal to 102% of the principal amount thereof plus accrued interest; (ii) extraordinary optional redemption due to the occurrence of certain events of casualty, condemnation or certain other events, at a redemption price equal to the principal amount thereof plus accrued interest; (iii) optional redemption of the Bonds upon request of the Company on or after November 1, ____, at a redemption price described herein; and (iv) acceleration due to an Event of Default occurring under the Indenture. See "THE BONDS - Redemption Prior to Maturity."
Use of Proceeds	Proceeds of the Bonds will be loaned pursuant to a Loan Agreement to the Company to (i) advance refund the Series 2011 Bonds described herein; and (ii) fund the costs of issuance of the Bonds. See "SOURCES AND USES OF FUNDS" and APPENDIX A: "THE COMPANY AND THE PROJECT FACILITIES."
Investment Risks	An investment in the Bonds involves risks, including, but not limited to, those discussed under "BONDHOLDERS' RISKS."
Trustee and Paying Agent	U.S. Bank National Association, St. Paul, Minnesota.

*preliminary; subject to change

The Project Facilities	A senior housing and health care facility currently containing 120 licensed skilled nursing beds, 59 assisted living units, 24 memory care units and 65 independent living units, together with an approximately 8,800 square foot "town center," located in Anoka, Minnesota. See APPENDIX A: "THE COMPANY AND THE PROJECT FACILITIES."
Security for the Bonds	The Bonds and Parity Bonds are secured by and payable from an assignment and pledge of (i) all moneys pledged therefor under the Indenture, including amounts in the Reserve Fund described herein; (ii) the interest of the Issuer in the Loan Agreement (except for certain rights to indemnification and payments of fees and expenses); and (iii) amounts realized pursuant to the Mortgage and insurance benefits and condemnation awards payable with respect to the Project Facilities. Pursuant to the Mortgage, subject to certain Permitted Encumbrances, the Company has granted a first mortgage lien on and security interest in and an assignment of leases and rents with respect to the Project Facilities in favor of the Trustee to secure its obligations under the Loan Agreement, the Bonds and the Parity Bonds. The Bonds are not general obligations of the Issuer and are not payable from any taxes, revenues or assets of the Issuer, except for the Issuer's interest in the Loan Agreement and amounts held pursuant to the Indenture. See "SECURITY FOR THE BONDS AND PARITY BONDS."

OFFICIAL STATEMENT

$39,730,000*
City of Anoka, Minnesota
Housing Revenue Refunding Bonds
(The Homestead at Anoka, Inc. Project)
Series 2017

INTRODUCTORY STATEMENT

The following is a brief introduction as to certain matters discussed elsewhere in this Official Statement and is qualified in its entirety as to such matters by such discussion and the text of the actual documents described or referenced.

General

This Official Statement provides information regarding the above-referenced obligations (the "Bonds") to be issued by the City of Anoka, Minnesota (the "Issuer") pursuant to a Trust Indenture, dated as of November 1, 2011, as supplemented by the First Supplemental Trust Indenture dated as of December 1, 2014 and as further supplemented by a Second Supplemental Trust Indenture dated as of February 1, 2017 (collectively, the "Indenture"), between the Issuer and U.S. Bank National Association, in St. Paul, Minnesota (together with its successors and assigns, the "Trustee"). The Bonds are being issued under the Indenture on a parity with the Issuer's $22,235,000 Health Care and Housing Facility Revenue Bonds (The Homestead at Anoka, Inc. Project) Series 2014 (the "Parity Bonds"), all of which currently remain outstanding.

Pursuant to a Loan Agreement, dated as of November 1, 2011 and amended by the First Amendment to Loan Agreement, dated as of December 1, 2014 and as further amended by the Second Amendment to Loan Agreement, dated as of February 1, 2017 (collectively, the "Loan Agreement") between the Issuer and The Homestead of Anoka, Inc., a Minnesota nonprofit corporation (the "Company"), proceeds from the sale of the Bonds will be loaned to the Company to advance refund and defease the Issuer's Health Care Facility Revenue Bonds (the Homestead at Anoka, Inc. Project) Series 2011A and Senior Housing Facility Revenue Bonds (the Homestead at Anoka, Inc. Project) Series 2011B (collectively, the "Series 2011 Bonds"), that will be outstanding on the date of issuance of the Bonds in the aggregate principal amount of $34,230,000. The Series 2011 Bonds financed Phase I of the Company's existing health care and senior housing facility, and the Parity Bonds financed Phase II of the facility. The existing facility consists of 120 skilled nursing beds, 59 assisted living units, 24 memory care units, 65 units of independent living and an approximately 8,800 square foot town center. The existing facility is herein referred to collectively as the "Project Facilities." See APPENDIX A: "THE COMPANY AND THE PROJECT FACILITIES." Proceeds of the Bonds will also fund an additional deposit to the Reserve Fund and certain costs of issuance. See "SOURCES AND USES OF FUNDS."

Pursuant to a Management Agreement, Volunteers of America National Services (the "Manager"), an affiliate of the Company, manages the Project Facilities under a management agreement that currently expires June 30, 2020, subject to earlier termination in certain circumstances. See "SECURITY FOR THE BONDS AND PARITY BONDS – Management of Project Facilities" herein.

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*preliminary; subject to change

Pursuant to the Indenture, the Issuer pledges to the Trustee, for the benefit of the holders of the Bonds and Parity Bonds ("Holders" or "Bondholders"), all of its interest in the Loan Agreement (other than certain indemnification, fee and expense reimbursement payments) to secure payment of the principal of, premium, if any, and interest on the Bonds and Parity Bonds. Pursuant to a Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents, dated as of November 1, 2011, as supplemented by the First Supplemental Mortgage dated as of December 1, 2014 and as further supplemented by the Second Supplemental Mortgage dated as of February 1, 2017 (collectively, the "Mortgage"), executed by the Company in favor of the Trustee, the payment of the principal of and premium, if any, and interest on the Bonds and Parity Bonds is secured by a first mortgage lien on and security interest in and an assignment of rents and leases with respect to the Project Facilities, subject to certain Permitted Encumbrances described in the Mortgage. See APPENDIX C under the heading "THE MORTGAGE."

Reserve Fund

Under the Indenture, a Reserve Fund secures the Bonds and the Parity Bonds. On the closing date for issuance and delivery of the Bonds, after giving effect to the issuance of the Bonds and the defeasance of the Series 2011 Bonds, the Reserve Fund will contain an amount equal to $_____, which is not less than the maximum annual debt service on the Bonds and Parity Bonds, excluding the year of final maturity of each issue. The Reserve Fund may be used by the Trustee to pay principal of and interest on the Bonds and Parity Bonds in the event sums in the Bond Fund are insufficient for such purpose. The Company is required to restore amounts withdrawn from the Reserve Fund to the extent amounts therein fall below the Reserve Requirement, but is not required to restore a deficiency in the Reserve Fund resulting from investment losses so long as the Reserve Fund is invested in Qualified Investments. See APPENDIX C under the subheading "THE INDENTURE – Reserve Fund."

The Bonds

The Bonds are available in book-entry only form. See "THE BONDS - Book-Entry Only System" herein. So long as Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), is the registered owner of the Bonds, references herein to the Bondholders or registered owners of the Bonds means Cede & Co. and not the beneficial owners of the Bonds.

The Bonds are issued in fully registered form without coupons in the denomination of $5,000 principal amount or any greater integral multiple thereof not exceeding the principal amount maturing on any single date. See "THE BONDS" herein.

Bondholders' Risks

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

Limited Obligations of the Issuer

The Bonds and Parity Bonds are not general obligations of the Issuer and are not secured by the full faith and credit or taxing power of the Issuer. The Bonds and Parity Bonds are payable solely and exclusively from funds held by the Trustee pursuant to the Indenture or realized by the Trustee from enforcing its rights and remedies pursuant to the Loan Agreement and the Mortgage.

Capitalized Terms

Certain capitalized terms are defined in the text hereof. Any capitalized term not so defined is used herein with the same meaning assigned in APPENDIX C hereto or as defined in the Indenture, the Loan Agreement or other document with respect to which such term is used.

Continuing Disclosure

Continuing disclosure regarding the Bonds will be made public by the Company pursuant to undertakings set forth in the Continuing Disclosure Agreement to be entered into by the Company and the Trustee, which undertakings are designed to be in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). For a more detailed discussion of the undertakings for continuing disclosure, see "CONTINUING DISCLOSURE" herein.

Miscellaneous

This Official Statement and its appendices contain descriptions of, among other matters, the Issuer, the Project Facilities, the Company, the Bonds, the Loan Agreement, the Indenture and the Mortgage. Such descriptions and information do not purport to be comprehensive or definitive. All references to documents described herein are qualified in their entirety by reference to such documents, copies of which are available from the Underwriter during the period of the offering of the Bonds, and thereafter, will be available for inspection (or, at the expense of the Bondholder, copying) at the principal corporate trust office of the Trustee in St. Paul, Minnesota.

BONDHOLDERS' RISKS

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

Absence of Rating

An investment in the Bonds involves a high degree of risk. Accordingly, the Bonds have no credit rating. Typically, unrated bonds lack liquidity in the secondary market in comparison with rated bonds. As a result of the foregoing, the Bonds are believed to bear interest at higher rates than would prevail for Bonds with comparable maturities and redemption provisions that have investment grade credit ratings. Nevertheless, Bonds should not be purchased by any investor who, because of financial condition, is unable to bear a loss on an investment in the Bonds, or who, because of investment policies or otherwise, does not desire to assume, or have the ability to bear, the high degree of risk inherent in an investment in the Bonds.

Limited Obligations of the Issuer

The Bonds are special, limited obligations of the Issuer, payable solely from the sources identified under the heading "SECURITY FOR THE BONDS AND PARITY BONDS" herein, and do not constitute an indebtedness or obligation of the Issuer. Neither the full faith and credit nor the taxing power of the Issuer, the State of Minnesota or any other political subdivision is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

Adequacy of Revenues; Failure to Maintain Occupancy

The payment of principal, premium, if any, and interest on the Bonds is intended to be made primarily from payments of the Company under the Loan Agreement. The ability of the Company to pay debt service on the Bonds is largely dependent upon its ability to admit nursing home residents and lease units in the independent living and assisted living/memory care portions of the Project Facilities and thereafter maintain occupancy, and to charge and collect rates sufficient to pay operating expenses and debt service. Future revenues and expenses of the Project Facilities are subject to conditions which may change in the future to an extent that cannot be determined at this time. Such conditions may include the inability to generate adequate occupancy levels due to inadequate demand for residential units or nursing care beds, uncompetitive rates or services, disadvantageous general or local economic conditions, inability to control expenses, delays in receiving payments from third party payers, government regulation, legislative changes and other factors.

Additionally, due to the nature of the Project Facilities as senior oriented facilities, the Project Facilities can experience (i) increased turnover and occupancy fluctuations due to occupant age and health, and (ii) in some cases, occupancy delay or decline because of a prospective occupant's need, hesitancy or inability to dispose of owner-occupied residences.

Government Regulation and Reimbursement

General. The Project Facilities include a 120-bed licensed nursing facility. Nursing facilities are subject to extensive governmental regulation through state licensing requirements and complex laws and regulations imposed at the federal and state level for such facilities to remain licensed and certified to receive payments under the so-called Medicaid and Medicare programs. The Minnesota Department of Health renews nursing home licenses annually and makes periodic inspections to determine compliance with licensure and certification requirements. Continuing licensure to provide nursing care is essential to the operation of any licensed nursing facility. Further, the prospective revenues of the Company will be significantly dependent on payments under the Medicaid and Medicare programs such that a loss of certification for participation in such programs or an elimination of or a material reduction in the availability of Medicaid or Medicare payments would materially adversely affect the operations and financial condition of the Company.

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

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

Medicaid. The revenues of the Company historically have been and in the future are expected to be derived in significant part from payments made on behalf of qualifying residents under the Minnesota Medical Assistance Program ("Medicaid"). States currently fund a substantial portion of Medicaid payments and exercise considerable discretion in determining payments allowed to care providers. Federal regulations provide that states are not required to pay for long-term care services on a cost-related basis, but may do so according to payment rate systems established by the state and identified in a state Medicaid plan. Those payment systems may be implemented after the state provides public notice of its methodologies and justifications and affords providers, beneficiaries and other interested parties a reasonable opportunity to comment on any proposed rates, methodologies and justifications. As a result, the payments allowed by states for qualifying residents may be based on factors other than the actual costs of the nursing services, creating a more competitive environment for nursing facilities. The political emphasis on budget cutting, further changes in Medicaid and Medicare funding, and changes in the payment patterns of the federal Government and the State of Minnesota may have an adverse effect upon the revenues of the Company.

Minnesota Medicaid Reimbursement System. In Minnesota, resident rates paid through the Medicaid program to nursing facilities are divided into separate and distinct components: Operating Rates, Property Rates and External Fixed Rates. For any particular resident, the sum of the Operating, Property, and External

Fixed Rates is the Total Rate paid to the nursing facility per resident day. Minnesota requires nursing facilities participating in the Medicaid program to charge private-pay residents the same rate as Medicaid pays for similar services. Higher rates, however, are allowed to be charged to private-pay residents in single-bed rooms.

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

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

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

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

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

"Fraud and Abuse" Laws and Regulations

Anti-Kickback Laws. The Federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (the "Anti-Kickback Law") make it a criminal felony offense (subject to certain exceptions) to knowingly or willfully offer, pay, solicit or receive, remuneration in order to induce business for

which reimbursement may be provided under the Medicare or Medicaid programs. The arrangements prohibited under the Anti-Kickback Law can involve hospitals, physicians and other health care providers such as nursing facilities. Prohibited arrangements may include joint ventures between providers, space and equipment rentals, purchases of physician practices, physician recruiting programs and management and personal services contracts. In addition to criminal penalties, violations of the Anti-Kickback Law can lead to civil monetary penalties and exclusion from the Medicare and Medicaid programs for not less than five years. Exclusion of the Company's skilled nursing facility from either of these programs would have a material adverse impact on the operations and financial condition of the Company.

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

Managed Care

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

Other Regulatory Matters

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

Labor Matters

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

Value of Mortgaged Property

Security for the Bonds and Parity Bonds includes a first mortgage on the Project Facilities, evidenced by the Mortgage. Attempts to foreclose under the Mortgage may be met with protracted litigation and/or bankruptcy proceedings, which proceedings cause delays. See "ENFORCEABILITY OF OBLIGATIONS." Thus, there can be no assurance that upon the occurrence of an Event of Default, the Trustee will be able to obtain possession of the Project Facilities and generate revenue therefrom in a timely fashion. Furthermore, there can be no assurance that proceeds derived from the sale of the Project Facilities upon default and foreclosure of the Mortgage would be sufficient to pay all Bonds and Parity Bonds and accrued interest thereon.

Unimproved land subject to the Mortgage can be released from the lien of the Mortgage as described in APPENDIX C under the heading "THE MORTGAGE."

Environmental Matters

The operation of the Project Facilities may be adversely affected by legislative, regulatory, administrative and enforcement action involving environmental controls. For example, if the Land were determined to be contaminated by oil or hazardous materials, the Company could be liable for clean up costs, which could be significant, even if it were not responsible for the contamination.

To the best knowledge of the Company, no material contamination exists with respect to the Land. The Company has obtained an updated Phase I Environmental Site Assessment, dated October 10, 2016 (the "Phase I Report"), from American Engineering Testing, Inc. of St. Paul, Minnesota. The Phase I Report revealed no evidence of recognized environmental conditions in connection with the Land.

There can be no assurance that the Company will not encounter environmental risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Company.

Damage or Destruction

Although the Company will be required to obtain certain insurance as set forth in the Mortgage, there can be no assurance that the Company 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 Facilities cannot generate revenues, will not exceed the coverage of such insurance policies.

Loss of Market Premium from Early Redemption

Any person who purchases a Bond should consider the fact that, under certain circumstances, the Bonds are subject to redemption prior to maturity at a redemption price equal to 100% of the principal amount of the Bonds, plus accrued interest to the redemption date, and without premium, which redemption price may be more or less than the market price of the Bonds at such time.

Competition

The Company may face competition for the Project Facilities from other existing skilled nursing and senior housing facilities in the market area, and may face additional competition in the future if and when new facilities are constructed or existing facilities are renovated. No assurances can be given that occupancy of the Project Facilities will not be adversely affected by the availability of other skilled nursing and senior housing facilities in the service area of the Project Facilities and elsewhere, including other such facilities that the Company's affiliates may operate. The Company may also face competition for the Project Facilities from sub-acute care facilities, home health agencies, group homes or the elderly, senior meals programs, and current

and future programs such as the federal "PACE" program in Minnesota, under which designated providers care for certain recipients that are eligible for Medicaid and Medicare in their homes.

Additional Debt; Dilution

The Loan Agreement permits the Company to incur additional Long-Term Debt relating to the Project Facilities and for development of additional facilities on the Company's campus subject to certain financial limitations, including additional Long-Term Debt that can be secured by a lien on the Project Facilities on a parity with the lien of the Mortgage. The incurrence of additional debt would increase the aggregate debt service requirements of the Company and the inability of the Company to service such debt could materially and adversely affect its operating viability. See APPENDIX C under the subheading "THE LOAN AGREEMENT - Additional Indebtedness."

Maintenance of Tax-Exempt Status

The exclusion of interest on the Bonds from gross income for federal income tax purposes depends on, among other things, the continued status of the Company as a nonprofit charitable organization described in Section 501(c)(3) of the Code (a "501(c)(3) organization"). The Company obtained its tax-exempt status as a 501(c)(3) organization by its inclusion in the group ruling of Volunteers of America, Inc. However, such status might be revoked by the Internal Revenue Service, and perhaps retroactively, for material noncompliance with the requirements for tax-exempt status.

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

Internal Revenue Service Tax-Exempt Bond Program

The Internal Revenue Service has established a Tax-Exempt and Government Entities Division (the "TE/GE Division"). The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. The Internal Revenue Service has an active program of conducting examinations of tax-exempt bonds, such as the Bonds. In recent years, the number of Internal Revenue Service tax-exempt bond examinations has increased, and public statements made by individual Internal Revenue Service officials indicate that the number of Internal Revenue Service examinations of tax-exempt bonds may increase in the future. Internal Revenue Service officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. No assurance can be given that the Internal Revenue Service will not examine the Bonds. Any IRS examination could have an adverse impact on the marketability and price of the Bonds.

Effect of Bankruptcy on Security for the Bonds

Bankruptcy proceedings and equity principles may delay or otherwise adversely affect the enforcement of bondholders' rights in the property granted as security for the Bonds. Remedies under the Mortgage and the Indenture under existing law may not be readily available or may be limited. Furthermore, if the security for the Bonds 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 of the Company, if any. See "ENFORCEABILITY OF OBLIGATIONS." Also, federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the Holders of a majority in aggregate principal amount of the Bonds, if the Bondholders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if the bankruptcy court concludes that the Bondholders have "adequate protection," it may (1) substitute other security subject to the lien of the Bondholders, and (2) subordinate the lien of the Bondholders (a) to claims by persons supplying goods and services to the Company after bankruptcy, and (b) to the administrative expenses of the bankruptcy proceeding. The bankruptcy court may also have the power to invalidate certain provisions of the Loan Agreement and the Mortgage that make bankruptcy and related proceedings, by or with respect to the Company, an Event of Default thereunder.

Secondary Market and Prices

The Underwriters will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds contemplated by this Official Statement, and no assurance can be given that the Bonds can be resold at their initial offering prices for any period of time.

Summary

An investment in the Bonds involves a substantial element of risk. The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement in order to make a judgment as to whether the Bonds are an appropriate investment. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security benefits, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

THE BONDS

Book-Entry Only System

The Bonds will be available in book-entry form only in the principal amount of $5,000 and any integral multiples thereof, not exceeding the principal amount maturing on any single date. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased.

The Bonds will be held by The Depository Trust Company ("DTC"), New York, New York, as securities depository. The ownership of one fully registered Bond in the aggregate principal amount of each maturity will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry charges in accounts of the DTC Participants, thereby eliminating the need for physical

movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through a maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Ownership interests in the Bonds may be purchased by or through DTC Participants. Persons for whom the DTC Participants acquire interest in the Bonds as nominees (the "Beneficial Owners") will not receive certificated bonds, but each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC participant's interest in the Bonds, which will be confirmed in accordance with DTC's standard procedures. Each Beneficial Owner may desire to make arrangements with its DTC Participant to receive a credit balance in the records of such DTC Participant and may desire to make arrangements with such DTC Participant to have all notices of redemption or other communications to DTC, which may affect such persons, be forwarded in writing by such DTC Participant and to have notification made of all interest payments. NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BOND OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A BONDHOLDER.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, reference herein to the Bondholders or owners of the Bonds means Cede & Co., as aforesaid, and does not mean the Beneficial Owners of the Bonds.

DTC will receive payments on the Bonds from the Trustee to be remitted to the DTC Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Bonds will be recorded on the records of the DTC Participants, whose ownership interests will be recorded on a computerized book-entry system operated by DTC.

When notices are given to Bondholders, such notices shall be sent by the Trustee to DTC only. DTC is responsible for notifying DTC Participants who are in turn responsible for notifying the Beneficial Owners. Neither the Trustee nor the Issuer is responsible for sending notices to Beneficial Owners.

Transfers of ownership interests in the Bonds will be accomplished by book entries by DTC and by DTC Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except as described below. Interest and principal will be paid by the Trustee to DTC, then paid by DTC to the DTC Participants and thereafter paid by the DTC Participants to the Beneficial Owners when due.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Issuer and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository) Bond certificates are required to be delivered as described in the Indenture.

The Issuer may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interest of the Beneficial Owners or DTC (or a successor securities depository) may resign. In such event, Bond certificates will be required to be delivered as described in the Indenture.

THE DESCRIPTION OF THE PROCEDURES AND RECORDKEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE BONDS TO DTC PARTICIPANTS OR BENEFICIAL OWNERS OF THE BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS AND OTHER BOND-RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DTC PARTICIPANTS AND BENEFICIAL OWNERS OF THE BONDS CONTAINED IN THIS OFFICIAL STATEMENT IS BASED SOLELY ON INFORMATION FURNISHED BY DTC FOR INCLUSION HEREIN. ACCORDINGLY, THE ISSUER, THE COMPANY, THE TRUSTEE AND THE UNDERWRITERS DO NOT MAKE REPRESENTATIONS CONCERNING SUCH MATTERS.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Interest Rate; Maturity; Payment

The Bonds are being issued in the aggregate principal amount and will mature on such dates and bear interest at the rates set forth on the inside front cover hereof. Interest on the Bonds is payable semiannually on May 1 and November 1 (each an "Interest Payment Date") of each year commencing May 1, 2017. Interest will be calculated on the basis of a 360-day year with twelve months of thirty days. Principal of, premium, if any, and interest on the Bonds will be payable by the Trustee to Cede & Co. so long as it is the registered owner of the Bonds.

Exchange; Transfer

Subject to the procedures of the book-entry only system, the Bonds are transferable and exchangeable for other authorized denominations only upon the bond registration books of the Trustee and only upon presentation and surrender of such Bonds, together with an executed assignment or other acceptable transfer instrument, subject to the payment of any cost tax or charge that may be imposed in connection therewith, Bonds which have been called for redemption are not required to be transferred or exchanged by the Trustee.

Additional Bonds

Additional Bonds may be issued under the Indenture in certain circumstances as more fully described in APPENDIX C under the subheading "THE INDENTURE - Additional Bonds."

Redemption Prior to Maturity

Optional Redemption. The Bonds are subject to redemption prior to maturity upon request of the Company, in whole or in part, on any Business Day on or after November 1, _____, and, if in part, in inverse order of maturity dates and at random within a maturity, at the redemption price of par plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The term Bonds are subject to mandatory redemption in part prior to maturity at their principal amount (or such portion thereof as is redeemed as provided for below), without premium, plus accrued interest thereon to such redemption date, on November 1 in the years and in the amounts described below (the "Mandatory Redemption Schedule"), subject to certain credits described below:

Bonds Due November 1, 2027*

November 1	Amount	November 1	Amount
2023	$855,000	2026	$ 970,000
2024	890,000	2027 (maturity)	1,010,000
2025	930,000		

Bonds Due November 1, 2037*

November 1	Amount	November 1	Amount
2028	$1,055,000	2033	$1,330,000
2029	1,105,000	2034	1,390,000
2030	1,155,000	2035	1,460,000
2031	1,210,000	2036	1,525,000
2032	1,270,000	2037 (maturity)	1,600,000

Bonds Due November 1, 2046*, CUSIP _____

November 1	Amount	November 1	Amount
2038	$ 860,000	2043	$1,125,000
2039	910,000	2044	1,185,000
2040	955,000	2045	1,250,000
2041	1,005,000	2046 (maturity)	1,315,000
2042	1,065,000		

Bonds Due November 1, 2046*, CUSIP _____

November 1	Amount	November 1	Amount
2038	$ 815,000	2043	$1,065,000
2039	860,000	2044	1,125,000
2040	910,000	2045	1,185,000
2041	960,000	2046 (maturity)	1,255,000
2042	1,010,000		

*preliminary; subject to change

Sinking Fund Options, Credits. The Company may, at its option to be exercised on or before the thirtieth (30th) day next proceeding any date specified in the mandatory redemption schedules set forth above, deliver to the Trustee written notice, which will specify a principal amount of such Bonds delivered to the Trustee therewith, and instruct the Trustee to apply the principal amount of such Bonds so delivered or previously redeemed or purchased and canceled for credit against the principal installments to be prepaid pursuant to the applicable mandatory redemption schedule. Each such Bond so delivered or previously redeemed or purchased and canceled will be credited by the Trustee in chronological order at 100% of the principal amount thereof against the next succeeding and future principal installments to be prepaid pursuant to the applicable mandatory redemption schedule.

Upon any redemption in part of any of the Bonds from funds other than those attributable to Mandatory Redemption Payments, the principal amount of such Bonds redeemed will be credited against each remaining Mandatory Redemption Payment for such Bond as directed by the Company.

Extraordinary Redemption Upon Certain Events. All Bonds are subject to redemption prior to maturity on the next succeeding Interest Payment Date for which timely notice of call can be given at a

redemption price equal to the principal amount thereof, plus accrued interest to the redemption dale, without premium, in the event of termination of the Loan Agreement by the Company upon the occurrence of any of the following: (A) in the case of damage or destruction estimated to exceed $1,000,000, the Project Facilities shall have been damaged or destroyed to such extent that in the reasonable judgment of the Company it is not practicable or desirable to rebuild, repair or restore the Project Facilities, or (B) if any material part of the Project Facilities is condemned, or such use or control is taken by eminent domain, so as to render the Project Facilities unsatisfactory to the Company for continued operation, or (C) a change in law rendering the Loan Agreement void or unenforceable or impossible of performance in any material respect in accordance with the intent and purposes of the parties, or (D) the Company reasonably determines that Governmental Restrictions will have a significant adverse effect on the operations of the Project Facilities, and, as a result thereof, it is in the best financial interest of the Company to sell the Project Facilities.

Redemption of Bonds Upon Determination of Taxability. Upon the occurrence of a Determination of Taxability with respect to the Bonds, the Bonds are subject to mandatory redemption in whole prior to maturity on an Interest Payment Date not more than 90 days following notice to the Company of a Determination of Taxability, at a redemption price equal to their principal amount, plus accrued interest to the date of redemption, plus a 2% redemption premium.

A Determination of Taxability may not occur for a substantial period of time after interest first becomes includable in the gross income of owners of the Bonds. In such event, tax liability of Holders of the Bonds may occur in years for which interest was received on the Bonds and for which the relevant statute of limitations has not yet run. Furthermore, owners of Bonds will not receive any additional interest to compensate them for federal income taxes, interest on such taxes or penalties which may be assessed with respect to such interest. See -- "TAX MATTERS" and "BONDHOLDERS' RISKS - Maintenance of Tax-Exempt Status."

Notice of Redemption

The Trustee is required to cause notice of the call for any redemption to be mailed to the then owner of each Bond to be redeemed, by first class mail, not less than 30 days prior to the redemption date. Failure to mail or any defect in any such notice shall not affect the validity of any proceedings for the redemption of any Bond.

Selection of Bonds to be Redeemed

In the case of any optional partial redemption, the Bonds must be redeemed (such that any Bonds remaining outstanding are in authorized denominations), in the amounts designated by the Company in inverse order of maturity and by lot within a maturity and each Bond having a principal amount greater than $5,000 being treated as if each portion in excess thereof equal to $5,000 was a separate Bond.

Acceleration

Upon an Event of Default under the Indenture, all Bonds are subject to acceleration and prepayment on any date selected by the Trustee at their principal amount, plus accrued interest.

SECURITY FOR THE BONDS AND PARITY BONDS

Limited Obligations; No Pledge of Taxing Authority

The Bonds will be limited obligations of the Issuer and will not constitute or give rise to a pecuniary liability of the Issuer or the State of Minnesota or any political subdivision thereof or a charge against its general credit or taxing powers. No Bondholder will have the right to demand payment of the principal of,

premium, if any, or interest on the Bonds out of any funds to be raised from taxation or from any sources of revenue other than those expressly pledged to the payment of the Bonds pursuant to the Indenture.

Assignment of Loan Agreement

Under the Indenture, the Issuer has pledged its interest in the Loan Agreement (excluding certain rights to payment of fees, expenses and indemnification) to the Trustee to secure the Bonds and Parity Bonds. Payments under the Loan Agreement will be paid directly to the Trustee and will be sufficient, if paid promptly and in full, to pay all principal of, premium, if any, and interest on the Bonds and Parity Bonds as the same becomes due at maturity, upon redemption and prepayment, or otherwise. The Trustee is authorized to exercise the rights of the Issuer and enforce the obligations of the Company under the Loan Agreement.

Reserve Fund

Under the Indenture, a Reserve Fund secures the Bonds and the Parity Bonds. On the closing date for issuance and delivery of the Bonds, an additional deposit will be made to the Reserve Fund so that the Reserve Fund is increased to an amount at least equal to $_____, the maximum annual debt service on the Bonds and Parity Bonds, excluding the year of final maturity of each issue. Amounts funded into the Reserve Fund may be used by the Trustee to pay principal of and interest on the Bonds and Parity Bonds in the event sums in the Bond Fund are insufficient for such purpose. The Company is required to restore amounts withdrawn from the Reserve Fund to the extent amounts therein fall below the Reserve Requirement, but is not required to restore a deficiency in the Reserve Fund resulting from investment losses so long as the Reserve Fund is invested in Qualified Investments. See APPENDIX C under the subheading "THE INDENTURE – Reserve Fund."

Mortgage

Under the Mortgage, the Company has granted to the Trustee a first mortgage lien on and security interest in the Project Facilities. The Mortgage is subject to certain Permitted Encumbrances, and contains provisions permitting certain easements, licenses and rights of way over the Mortgaged Property, as described in the Mortgage. Also, pursuant to the Mortgage, the Company has assigned to the Trustee the leases, rents and profits of the Project Facilities. See assigned APPENDIX C under the heading "THE MORTGAGE."

No Guaranty

The Bonds are not secured by any guaranty.

Repair and Replacement Fund

The Indenture establishes a Repair and Replacement Fund to be used to make capital improvements properly chargeable to the capital account of the assisted and independent living portions of the Project Facilities upon requisition submitted by the Company to the Trustee as needed. The Company is currently required to transmit monthly to the Trustee an amount equal to $1,230 for deposit into the Repair and Replacement Fund. On November 15, 2019, the Company will begin depositing an additional $1,855 monthly. Such contributions shall continue until the balance in the Repair and Replacement Fund equals $400,000, and shall recommence at any time the balance therein falls below $400,000.

Management of Project Facilities; Partial Subordination of Management Fee

The Project Facilities are managed by Volunteers of America National Services (the "Manager"), an affiliate of the Company, pursuant to a management contract currently expiring June 30, 2020, subject to earlier termination in certain circumstances. According to the contract, the Manager provides management services to the Project Facilities including but not limited to finance and accounting, human resources,

information systems, operating policies and supervision of on-site personnel. As compensation for its services, the Manager receives management fees equal to four and one-half percent (4.5%) of total gross revenue (as defined in the management contract) of the Project Facilities. Management fees shall be payable each month in arrears and are subject to year-end reconciliation based on the audited financial statements. One-third of the management fees (1.5% of the total gross revenue) will be subordinated to the payment of debt service on the Bonds and Parity Bonds (including any required restoration of the Reserve Fund).

Special Covenants

Lease or Sale of Project Facilities. The Company may sell or lease all or any part of the Project Facilities to a governmental unit or an organization described in Section 501(c)(3) of the Code or enter into an agreement for the management or use of the Project Facilities so long as (i) no such sale, lease or agreement shall be inconsistent with the provisions of the Loan Agreement, the Indenture or the Mortgage; (ii) the Company shall remain fully obligated under the Loan Agreement and the Mortgage as if such sale, lease or agreement had not been made; or (iii) any purchaser shall assume all of the obligations of the Company under the Loan Agreement and the Mortgage; and (iv) the Trustee shall have been furnished with an opinion of Bond Counsel to the effect that interest on the Bonds will not be included in gross income for federal income tax purposes as a result thereof.

Maintenance of Existence. The Company agrees that, so long as the Bonds are outstanding, it will maintain its existence as a nonprofit corporation under the laws of Minnesota; will not dissolve or otherwise dispose of all or substantially all of its assets; and will not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, that the Company may consolidate with or merge into another institution, or permit one or more other of such institutions to consolidate with or merge into it, or sell or otherwise transfer to another such institution all or substantially all of its assets as an entirety and thereafter dissolve upon satisfaction of the following conditions: (i) if the surviving, resulting or transferee institution, as the case may be, is other than the Company, such surviving, resulting or transferee institution shall assume in writing all of the obligations of the Company under the Loan Agreement and Mortgage, and shall be either a governmental unit or an organization described in Section 501(c)(3) of the Code; (ii) the surviving, resulting or transferee institution, if other than the Company, must meet the requirements of the Loan Agreement for the incurrence of $1.00 of additional parity debt, immediately after such consolidation, merger or transfer; and (iii) the Company shall furnish to the Trustee an opinion of Bond Counsel to the effect that such consolidation, merger or transfer shall have no adverse effect on the tax exempt nature of the interest on the Bonds under Section 145 and related Sections of the Internal Revenue Code.

Transfer of Assets-General. The Company shall not transfer its interest in any of its assets to any Person (except as described below or as otherwise provided in the Loan Agreement) for consideration of less than fair market value, except to the extent necessary or desirable in order to maintain or continue the status of the Company as an organization treated as described in Section 501(c)(3) of the Code. The Company shall be permitted to transfer funds or assets to any Affiliate or other Person, without consideration, if the Net Revenues Available for Debt Service of the Company for the Fiscal Year immediately preceding such transfer were not less than 150% of the Total Principal and Interest Requirements for such Fiscal Year and, after such transfer, the Company will have not less than 60 Days Cash on Hand.

No Guaranties. The Company has agreed in the Loan Agreement not to guarantee the indebtedness or obligations of any Person.

Rate Covenant. The Company has agreed to prescribe and charge such rents, fees and other charges relating to its properties and to restrict operating and maintenance expenses relating to its properties as is necessary to achieve a 115% Debt Coverage Ratio. On or before the 120th day after the end of each Fiscal Year (the "Report Date"), the Company will submit to the Trustee a report evidencing its compliance or noncompliance with the 115% Debt Coverage Ratio requirement for the preceding Fiscal Year.

Liquidity. The Company shall within 120 days of each Fiscal Year end provide to the Trustee evidence that it has maintained the Liquidity Requirement at the end of the Fiscal Year. The Liquidity Requirement is 45 Days Cash on Hand. The foregoing is subject to the qualification that if applicable state or federal laws or regulations, or the rules and regulations of agencies having jurisdiction, shall not permit the Company to maintain the Liquidity Requirement, then the Company shall maintain its Cash and Liquid Investments at the highest permissible level.

Covenant Failure Remedies. If the Company fails to achieve either the 115% Debt Coverage Ratio or the Liquidity Requirement, then the Company is required to employ as soon as practicable after the Report Date a Management Consultant to submit a written report and recommendations with respect to the rents, fees, rates and other charges relating to its properties and with respect to improvements or changes in the operation and management of its properties. A copy of this report must be submitted to the Trustee as soon as practicable but in no event later than 90 days after the Report Date. The Company is required to revise or cause to be revised such rents, fees, rates and other charges in conformity with any recommendations of the Management Consultant and is required to otherwise follow the recommendations of the Management Consultant to the extent that such recommendations are consistent with the Company's status as an organization described in Section 501(c)(3) of the Internal Revenue Code, or as otherwise permitted by law. Except as provided below, failure to comply with the Debt Coverage Ratio and Liquidity Requirement will not constitute an Event of Default under the Loan Agreement. An Event of Default shall be deemed to occur if (i) the Debt Coverage Ratio falls below 100% for a Fiscal Year, or (ii) the Company fails to comply with the recommendations of the Management Consultant, to the extent that such recommendations are consistent with the Company's status as an organization described in Section 501(c)(3) of the Internal Revenue Code, or as otherwise permitted by law.

For the purposes above, Debt Coverage Ratio means Net Revenues Available for Debt Service of the Company for a Fiscal Year divided by the Total Principal and Interest Requirements for such Fiscal Year; provided that, with respect to any facilities or improvements subsequently constructed by the Company and financed by Long Term Debt, the interest on such Long Term Debt shall be disregarded in making the calculation of Debt Coverage Ratio until the first Fiscal Year that commences at least one year after the date such facilities or improvements are placed into operation.

For the purposes above, Management Consultant means any nationally or regionally recognized firm of public accountants or healthcare specialists possessing management consulting experience with respect to skilled nursing facilities, senior housing and assisted living facilities, such as the Project Facilities, which is Independent and approved by the Company.

Rating Application. The Borrower covenants that it will seek a rating of the Bonds from any rating agency each year after a determination is made by the Borrower in consultation with the Underwriter or other such qualified entity that an investment grade rating for the Bonds is reasonably attainable, until achievement of an investment grade rating, provided that if during any such year the Borrower receives a preliminary indication from any rating agency that the Bonds will not be assigned an investment grade rating, the Borrower may withdraw its rating request for such year.

Additional Long-Term Debt and Additional Bonds

Under certain circumstances, the Company may incur additional Long-Term Debt, including additional Long Term Debt secured by a parity lien on the Project Facilities. See APPENDIX C under the subheading "THE LOAN AGREEMENT - Additional Indebtedness." Under certain circumstances, Additional Bonds are permitted to be issued which may be secured by the Indenture (and funds held pursuant thereto) and the Mortgage on an equal and pro rata basis with the Bonds and Parity Bonds. See APPENDIX C under the subheading "THE INDENTURE - Additional Bonds."

Defeasance

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

DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year ending November 1, the amounts required each year to be paid with respect to the Bonds and Parity Bonds, assuming no prepayment.

November 1, Year	Bond Principal	Bond Interest	Parity Bonds Debt Service	Total Debt Service
2017			$1,127,375.00	
2018			1,412,375.00	
2019			1,410,250.00	
2020			1,413,650.00	
2021			1,411,450.00	
2022			1,413,850.00	
2023			1,409,000.00	
2024			1,413,700.00	
2025			1,412,500.00	
2026			1,412,343.76	
2027			1,411,112.50	
2028			1,413,806.26	
2029			1,410,156.26	
2030			1,410,431.26	
2031			1,414,362.50	
2032			1,411,681.26	
2033			1,412,656.26	
2034			1,412,018.76	
2035			1,414,768.76	
2036			1,412,225.00	
2037			1,413,143.76	
2038			1,412,268.76	
2039			1,414,600.00	
2040			1,414,881.26	
2041			1,413,112.50	
2042			1,414,293.76	
2043			1,413,168.76	
2044			1,414,737.50	
2045			1,413,743.76	
2046			1,410,187.50	
2047			1,414,068.76	
2048			1,409,875.00	
2049			2,827,862.50	

THE ISSUER

The Issuer is a municipal corporation and political subdivision of the State of Minnesota. The Issuer is authorized pursuant to the provisions of Minnesota Statutes, Chapter 462C, as amended (the "Act") to issue the Bonds. Issuance of the Bonds was approved by a resolution of the Issuer adopted on October 17, 2016.

The Issuer will have no responsibility with respect to the management and operation of the Project Facilities, the servicing of the Loan or the collection, transfer or payment of any monies derived therefrom. Neither the Issuer nor its independent contractors have furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and the information contained under the heading "LITIGATION," as it relates to the Issuer.

THE COMPANY

The Homestead at Anoka, Inc. (the "Company") is a Minnesota nonprofit corporation that was formed exclusively for the purpose of owning and operating the Project Facilities. The Company expects that its interest in the Project Facilities and revenues therefrom will be its only assets in the future. The Company anticipates that the only resource available to provide for payment of the Bonds will be the interest of the Company in the Project Facilities and the funds held by the Trustee pursuant to the Indenture.

The Company has a mailing address of: 7530 Market Place Drive, Eden Prairie, MN 55344. Its general telephone number is: 952-941-0305. Questions with respect to the Project and the offering of the Bonds may be directed to and related information may be requested from: Ms. Nancy Gavin, Vice President of Financial Services. For more information with respect to the Company, see Appendix A attached hereto.

SOURCES AND USES OF FUNDS

Following are the approximate expected sources and uses of funds (rounded to the nearest $1,000) for the Bonds and the advance refunding of the Series 2011 Bonds:

Sources of Funds:*	
Proceeds of the Bonds	$39,943,000
Reserve Fund for Series 2011 Bonds	2,711,000
Bond Fund for Series 2011 Bonds	903,000
Total Sources of Funds	$43,557,000
Uses of Funds:*	
Defeasance of Series 2011 Bonds	$39,959,000
Reserve Fund	2,715,000
Costs of Issuance (including Underwriter's Discount)	883,000
Total Uses of Funds	$43,557,000

*preliminary; subject to change

FINANCIAL STATEMENTS

The 2016 audited financial statements of the Company, attached in APPENDIX B to this Official Statement, have been audited by Baker Tilly Virchow Krause, LLP, Certified Public Accountants, as set forth in their report dated October 17, 2016. Baker Tilly Virchow Krause, LLP has not audited any financial statements of the Company subsequent to June 30, 2016. The 2015 financial information included in APPENDIX B was audited by Schechter Dokken Kanter Andrews & Selser Ltd., Certified Public Accountants, as set forth in their report dated October 16, 2015. APPENDIX B also contains unaudited financial statements of the Company for its most recently completed fiscal quarter.

TAX MATTERS

In the opinion of Faegre Baker Daniels, LLP, Minneapolis, Minnesota, Bond Counsel, according to present Minnesota and federal laws, regulations, rulings and judicial decisions, the Bonds, as of their date of issuance, bear interest which is excluded from gross income for United States income tax purposes and is excluded, to the same extent from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations or the Minnesota alternative minimum tax applicable to individuals estates or trusts, but is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on corporations.

The exemption for federal and state income taxation of the interest on the Bonds depends, however, upon compliance with certain continuing restrictions as to use of the proceeds and investment of the proceeds of the Bonds and the use and operation of the Project Facilities, and upon compliance with certain tax covenants made by the Company in the Loan Agreement and the Issuer in the Indenture. Noncompliance with such requirements may cause the interest on the Bonds to be included in gross income for purposes of federal and State of Minnesota income taxation, either prospectively or retroactive to the date of issuance of the Bonds. If a Determination of Taxability occurs, the `Bonds are subject to mandatory redemption. See "THE BONDS - Redemption Prior to Maturity - Mandatory Redemption of Bonds Upon a Determination of Taxability."

The opinion of Bond Counsel as to tax exemption will be given in reliance upon representations of representatives of the Company as to nature, use, cost, and economic life of the Project Facilities refinanced with the proceeds of the Bonds, and upon the opinion of counsel for the Company, as to the due formation of the Company, its status as an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code, and as to the characterization of the Company's activities relating to the Project Facilities as not constituting an unrelated trade or business under Section 513 of the Code.

COLLATERAL TAX MATTERS

The following is not a comprehensive list of all tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the Federal income tax (or Minnesota income tax or franchise tax) liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. Any or all of the foregoing is subject to future laws, rulings, or decisions which may modify, in whole or in part, the foregoing and, in certain instances, such modification may be deemed retroactive to the date or issuance of the Bonds. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Original Issue Discount

The Bonds with stated maturities of _____ (the "Discount Bonds") are being sold at a discount from the principal amount payable on such Discount Bonds at maturity. The difference between the initial offering price at which a substantial amount of the Discount Bonds of a given maturity is sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that is deemed to accrue to a holder of a Discount Bond under Section 1288 of the Code is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes to the same extent that stated interest on such Discount Bond would be excluded from gross income. See "Tax Exemption" above. The amount of the original issue discount that is treated as accruing with respect to a

Discount Bond is added to the tax basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

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

If a Discount Bond is purchased for a cost that exceeds the sum of (1) the Issue Price, plus (2) accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue earlier than under federal law. Holders of Discount Bonds should consult their own tax advisors with respect to the tax consequences of owning such Discount Bonds.

Bond Premium

The Bonds with stated maturities of _____ (the "Premium Bonds") are being sold at a price greater than the principal amounts payable on such Premium Bonds at maturity. To the extent that a purchaser of a Premium Bond acquires a Premium Bond at a price greater than the principal amount payable at maturity, such excess maybe considered "amortizable bond premium" under Section 171 of the Code. In general, any amortizable bond premium with respect to a Premium Bond must be amortized under the Code. The amount of premium so amortized will reduce the owner's basis in such Premium Bond for federal income tax purposes, and such amortized premium is not deductible for federal income tax purposes. In the case of tax-exempt debt instrument subject to early call, the bond premium rules include special rules that impact the period over which the premium is amortized. The rate of the amortization of the bond premium and the corresponding basis reduction may result in a Bondholder realizing a taxable gain when a Premium Bond owned by such Bondholder is sold or disposed of for an amount equal to or less than such Premium Bond's original cost. Purchasers should consult their own tax advisors as to the computation and treatment of such amortizable bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption, maturity, receipt or payment or other disposition of a Premium Bond.

Branch Profits Tax

The Code includes a tax imposed on any foreign corporation in an amount equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits" reduced for increase (or increased for decrease) in "U.S. net equity." According to the conference report provided in connection with the adoption of the Tax Reform Act of 1986, "...[t]he conferees intend that branch's earnings and profits include income that would be effectively connected with a U.S. trade or business if such income were taxable, such as tax exempt municipal bond interest."

Financial Corporations

Certain financial institutions, such as banks and savings and loan associations, are not allowed to deduct any portion of the interest expense allocable to the acquisition or carrying of the Bonds.

S Corporations

Interest on the Bonds may be subject to Federal Income Taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25 percent of the gross receipts of such S corporation is passive investment income.

Property and Casualty Insurance Companies

Property and casualty insurance companies are required for taxable years after December 31, 1986, to reduce the amount of their loss reserve deduction by 15 percent of the amount of taxes on interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies

The Code subjects foreign companies carrying on an insurance business in the United States to a tax on income which is effectively connected with their conduct of any trade or business in the United States. Such income includes "net investment income" which is effectively connected, which shall not be less than the product of (A) the required "U.S. assets" of such company, and (B) the "domestic investment yield" applicable to such company for such year. Net investment income includes, according to the conference report accompanying the law, "interest (including tax exempt interest)."

Retirement Benefits

Interest on the Bonds may be taken into account under Section 86 of the Code so as to cause a Bondholder to be subject to federal income tax on a portion of his or her social security or railroad retirement benefits, if any.

UNDERWRITING

Herbert J. Sims & Co., Inc. (the "Underwriter") has agreed to purchase from the Issuer the Bonds at the price of $_____ (par plus net original issue premium of $_____, and less the Underwriter's discount of $_____). The Bond Purchase Agreement provides that the Underwriter will purchase all of the applicable series of Bonds if they are issued, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and other information. The Underwriter intends to offer the Bonds to the public initially at the offering prices shown on the inside front cover page hereof, which prices may subsequently change without requirement of prior notice. The Underwriter reserves the right to join with other dealers and underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to dealers at prices lower than the public offering prices.

Under the Bond Purchase Agreement, the Company agrees to indemnify the Issuer and the Underwriter against certain liabilities, including liabilities under federal and state securities laws.

ENFORCEABILITY OF OBLIGATIONS

On the date for delivery of the Bonds to the Underwriter, Bond Counsel shall deliver its opinion, dated the date thereof, that the Bonds, the Loan Agreement and the Indenture are valid and legally binding on the

Issuer, enforceable against the Issuer in accordance with their respective terms. Counsel to the Company will deliver an opinion that the Loan Agreement, the Mortgage, the Bond Purchase Agreement and the Continuing Disclosure Agreement are valid and legally binding agreements of the Company. The foregoing opinions will be generally qualified to the extent that the enforceability of the respective instruments may be limited by laws, decisions and equitable principles affecting remedies and by bankruptcy or insolvency or other laws, decisions and equitable principles affecting creditors' rights generally.

While the Bonds are secured or payable as described herein, the practical realization of payment from any such security will depend upon the exercise of various remedies specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. Accordingly the remedies specified in the above documents may not be readily available or may be limited.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the offering of the Bonds and with regard to the exclusion from gross income of interest on the Bonds under existing laws are subject to the approving legal opinion of Faegre Baker Daniels LLP, Minneapolis, Minnesota, as Bond Counsel. The Company has been represented in these matters by Messerli & Kramer P.A., Minneapolis, Minnesota.

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

LITIGATION

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued. There is no litigation pending which in any manner questions the undertaking of the financing by the Company or the validity or enforceability of the Indenture, the Mortgage or the Loan Agreement.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement (the "Disclosure Agreement"), the Company will agree to provide annual reports, within 150 days of the end of each Fiscal Year to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA"). Except as otherwise provided in the Disclosure Agreement, each Annual Report of the Company shall contain annual financial statements of the Company. Additionally, each Annual Report of the Company shall include certain operating data and financial information of the Company contained in Appendix A to the Official Statement, as well as the payor mix (by resident days) of the Company's skilled nursing facility. Such information shall be presented in a manner consistent with the Official Statement.

The Company will agree in the Disclosure Agreement to provide timely (within seven Business Days) notice to EMMA of any of the events listed below:

i. Delinquency in payment when due of any principal of or interest on the Bonds;

ii. Occurrence of any nonpayment Event of Default under the Indenture or Loan Agreement as defined in each such instrument, if material;

iii. Unscheduled draws on the Reserve Fund reflecting financial difficulties;

iv. Unscheduled draws on credit enhancements reflecting financial difficulties (the Bonds have no third party credit enhancement);

v. Substitution of credit or liquidity providers, or their failure to perform (the Bonds have no third party liquidity provider or credit enhancement);

vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

vii. Modifications to the rights of Bondholders, if material;

viii. Bond calls, if material, and tender offers;

ix. Defeasance of the Bonds or any portion thereof;

x. Release, substitution or sale of property securing repayment of the Bonds, if material;

xi. Rating changes (the Bonds will not be rated);

xii. Bankruptcy, insolvency, receivership or similar event of the Company;

xiii. The consummation of a merger, consolidation, or acquisition involving the Company or the sale of all or substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Trustee will provide timely notice to EMMA of any failure of the Company to provide the required annual report by the date due. Failure of the Company to comply with the Disclosure Agreement will not constitute an event of default under the Indenture or the Loan Agreement, and the sole remedy under the Continuing Disclosure Agreement is an action to compel performance.

Pursuant to the Disclosure Agreement, the Company shall also provide to EMMA its quarterly unaudited financial statements (including a balance sheet, statement of operations, and changes in net assets (deficit) and statement of cash flows), payor mix, utilization and occupancy information, and a calculation of its annualized Days Cash on Hand and Debt Coverage Ratio as of and for the fiscal year to date. Such information is to be provided within 45 days after the end of each fiscal quarter. The Company shall also provide to EMMA (i) an updated total debt service schedule if it incurs additional parity indebtedness pursuant to the terms of the Loan Agreement, (ii) a description of financial covenants for additional indebtedness to the extent they differ from those in the Loan Agreement, and (iii) monthly construction updates for any future major construction projects involving borrowed funds.

In connection with the issuance of the Series 2011 Bonds, the Company entered into a Continuing Disclosure Agreement dated as of November 1, 2011 (the "2011 Continuing Disclosure Agreement") that is similar to the Disclosure Agreement described above. Except as described below, the Company has complied in all material respects with the 2011 Continuing Disclosure Agreement. The quarterly report for the quarter ended June 30, 2013 was posted with EMMA approximately three months late, the quarterly report for the quarter ended December 31, 2013 was posted with EMMA approximately 18 days late, and the quarterly report for the quarter ended September 30, 2014 did not contain payor mix, utilization and occupancy information.

In connection with the issuance of the Parity Bonds, the Company entered into a Continuing Disclosure Agreement dated as of December 1, 2014 (the "2014 Continuing Disclosure Agreement"), that is substantially identical to the Disclosure Agreement described above, but also required a quarterly report regarding the progress of construction of the expansion of the Project Facilities financed by the Parity Bonds. Except as described below, the Company has complied in all material respects with the 2014 Continuing Disclosure Agreement. The quarterly reports for the quarters ended December 31, 2014, March 31, 2015 and June 30, 2015 did not contain statements of cash flows or annualized Days Cash on Hand and Debt Coverage Ratio calculations. The required quarterly construction status reports for the quarters ended March 31, 2015 and June 30, 2015 were not filed, but subsequent quarterly construction reports were filed until completion of the expansion project.

MISCELLANEOUS

The summaries set forth in the Appendices hereto and in the foregoing document do not purport to be comprehensive or definitive and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of these documents are available for inspection during the period of the offering at the offices of the Underwriter in Minneapolis, Minnesota, and thereafter at the principal corporate trust office of the Trustee in St. Paul, Minnesota. The Issuer has not participated in the preparation of this Official Statement and has not reviewed or approved any information or statements contained in this Official Statement or the appendices hereto and assumes no responsibility for the sufficiency, completeness or accuracy of the same.

APPENDIX A

THE COMPANY AND THE PROJECT FACILITIES

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THE COMPANY

General

The Homestead at Anoka, Inc. (the "Company") is a Minnesota nonprofit corporation organized in 2010 for the development, construction and operation of a senior living campus located in Anoka, MN. The current campus, which began operations in 2012, consists of 65 units of independent living, 59 units of assisted living, 24 units of memory care, and a 120 bed skilled nursing facility. The Company has administrative offices at 1660 Duke Street, Alexandria, Virginia and 7530 Market Place Drive, Eden Prairie, Minnesota. The Company is a subordinate affiliate of Volunteers of America National Services ("VOA National Services"), a Minnesota nonprofit corporation which provides support, coordination, financial management, quality assurance and strategic planning for the Company and its other subordinate affiliates. See "Affiliates of the Company" below.

Tax-exempt Status

The Company obtained its tax-exempt status as an organization described in Section 501(c)(3) of the Internal Revenue Code by its inclusion in 2011 in the Group Ruling of Volunteers of America, Inc. ("VOA, Inc."), which was itself recognized by the Internal Revenue Service as a 501(c)(3) tax-exempt organization in 1938 and granted its Group Ruling in 1965. See "Affiliates of the Company" below. Accordingly, the Company is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended, and donations to it are tax deductible.

Governance

The board of directors of the Company is appointed by its sole member, VOA Care Centers, Minnesota. Each director is appointed to serve a three-year term and remains on the board until a successor is appointed by VOA Care Centers, Minnesota. Officers of the Company are elected annually by the Company's board of directors.

The current directors of the Company are as follows:

NAME	AGE	OCCUPATION
Jane Burks	66	Retired
Carol B. Moore	78	Retired President, Chesapeake Consulting
Michael W. King	65	President and CEO, Volunteers of America, Inc.
Karen M. Dale	53	Market President, AmeriHealth Caritas District of Columbia
Andy Edeburn	47	Principal – Performance Partners Premier, Inc.
C. David Kikumoto	67	CEO - Denver Management Advisors
Nancy Rase	66	President and CEO – Homes for America, Inc.
Will Cooper	85	Founder and Chairman, WNC & Associates
Stephen N. Wakefield	66	Buckner International
Keith Knapp	61	Associate Professor, Bellarmine University
James Leblanc	67	President and CEO, VOA Greater New Orleans
Michael Sullivan	70	President, Sullivan Consulting Services
Edwina Carrington	70	President, CHK Enterprises, LLC
Patti Andreini Arnold	62	Retired

Management

The following key officers and staff are engaged in the operations of the Company and its affiliates, all of whom are employed by VOA, Inc. (See "Affiliates of the Company):

Michael W. King. Mr. King assumed the position of President and Chief Executive Officer of VOA National Services and each of its affiliates in July 2010. Prior to such time, Mr. King served as president and CEO of Volunteers of America Texas, an affiliate of VOA, Inc. Mr. King has over 37 years of leadership experience in the non-profit sector, and has served as a facilitator of leadership training for Hewlett Packard, and has also served on the faculty of both the University of Colorado and the Institute for Advanced Volunteer Management in the United Kingdom.

Joseph Budzynski. Mr. Budzynski assumed the position of Executive Vice President and Chief Financial Officer of VOA National Services and its subordinate affiliates in April, 2012. Prior to such time, Mr. Budzynski served as Vice President and Chief Accounting Officer of VOA, Inc. from December, 2005 to March, 2012. Prior to joining VOA, Inc., Mr. Budzynski served as the CFO of The Greater Washington Board of Trade, a regional chamber of commerce. He has also worked in the healthcare and telecom industries.

Thomas D. Turnbull. Mr. Turnbull assumed the position of Chief Operating Officer for VOA National Services and its affiliates in February, 2011. From 2008 to January, 2011, Mr. Turnbull served as Chief Financial Officer of VOA National Services and each of its affiliates. Prior to such time, he served VOA, Inc. in various capacities such as Vice President of Financial Services, Senior Vice President of Housing Services and Controller. Mr. Turnbull has been with VOA, Inc. and its affiliates for over 37 years.

Wayne Olson. Mr. Olson assumed the position of Executive Vice President of Operations and Development for VOA National Services and its affiliates in March, 1997. Prior to such time, Mr. Olson served as Regional Director assigned to new development with The Evangelical Lutheran Good Samaritan Society, with experience in researching due diligence and placing new projects in operation. Prior to that, he served as District Manager with another nonprofit long term care provider, and served six years as a nursing facility administrator.

Deborah Perry. Ms. Perry currently holds the position of Director of Standards and Policy. Prior to holding such position, she served VOA National Services and its affiliates in various capacities, including Director of Mission Fulfillment, Director of Quality Assurance, Regional Director and nursing facility administrator. Ms. Perry has been with VOA National Services and its affiliates for over 41 years.

Nancy Gavin. Ms. Gavin has held the position of Vice President of Financial Services for VOA National Services and its affiliates since January, 2015. From March of 2002 to December, 2014, Ms. Gavin served as Healthcare Controller. Prior to such time, she served VOA National Services and its affiliates in various capacities, including Corporate Treasurer, Corporate Controller, Director of Reimbursement and Regional Controller. Ms. Gavin has been with VOA National Services and its affiliates for over 31 years.

Affiliates of the Company

VOA National Services. The Company is a subordinate affiliate of VOA National Services. VOA National Services does not itself own or operate facilities or properties. It is engaged primarily in the support, coordination, financial management, quality assurance and strategic planning for its subordinate affiliates, including the Company. Other subordinate affiliates of VOA National Services include VOA Care Centers, Minnesota, the sole member of the Company, which owns and operates two skilled nursing facilities and two assisted living facilities, Volunteers of America Care Facilities, together with its subordinate affiliate, The Homestead at Rochester, Inc., which owns and operates eight skilled nursing facilities, four retirement apartment complexes and an adult day center, Volunteers of America Assisted Living Communities, which owns and operates Elder Homestead, an assisted living facility in Minnetonka, Minnesota, Volunteers of America Home Health Services, together with its subordinate affiliate, Stanley Jones & Associates, Inc., which operates two home health agencies in Hennepin, Anoka, Olmsted and Ramsey Counties, Minnesota, Volunteers of America Homestead 2000, Inc., which owns and operates a home health agency in Montrose County, Colorado, Volunteers of America National Services Foundation (to date relatively inactive), The Homestead at Montrose, Inc., which owns and operates an assisted living facility in Montrose, Colorado, Sleepy Eye Area Home Health Inc., which owns and operates a home health agency in Brown County, Minnesota, VOANS Senior CommUnity Meals, Inc., which operates a senior meals program in Montrose, Delta and San Miguel counties in Colorado, VOANS PACE Holding Company, together with its subordinate affiliates, VOANS Senior CommUnity Care of Colorado, Inc., VOANS Senior CommUnity Care of North Carolina, Inc., and VOANS Senior CommUnity Care of Michigan, Inc., of which VOANS PACE Holding Company has a

60% interest, which owns and operates three PACE programs, VOANS Development Corporation, which develops future sites and projects for affiliates of VOA National Services, VOA Rehabilitation Centers, Inc. which owns a transitional care unit and geriatric psychiatric hospital located in Tiffin, Ohio, and VOANS Holding Company which is intended to support and carry out the charitable mission of VOA National Services. VOA National Services also holds an 80% membership interest in The Homestead at Boulder City, Inc., which owns and operates an assisted living facility in Boulder City, Nevada, and an 80% interest in Edina Senior Living, LLC, which is in the development stage of a senior living complex located in Edina, Minnesota.

Effective July 1, 1997, VOA National Services also became the sole corporate member of VOA National Housing Corporation, a Louisiana nonprofit company formed in 1968 which was previously a direct subordinate affiliate of VOA, Inc. VOA National Housing Corporation manages subsidized and affordable housing facilities throughout the United States. The organization restructuring and integration plan under which VOA National Housing Corporation became a subordinate affiliate of VOA National Services was undertaken for the purpose of integrating the health services and housing services of these affiliates into one centrally administered group. To reflect this change, VOA National Services changed its name on July 1, 1997. Its former name was Volunteers of America Health Services.

VOA National Services also appoints the members of a Florida nonprofit corporation whose primary activity is the operation of a continuing care retirement community in Cape Coral, Florida. Neither VOA National Services nor the Company have any legal liability or responsibility for the payment of the financial obligations of the Florida corporation. The operations of the Florida corporation are not consolidated with those of VOA National Services for financial statement purposes because VOA National Services does not believe it exerts significant influence on the operation of that company and does not benefit financially from its relationship with it.

VOA National Services is acting as a sponsor for a new affiliate that is beginning development of a continuing care retirement community in Estero, Florida. The new affiliate, VOANS SW Florida Healthcare, Inc., closed on acquisition of a site for the development in October, 2016.

Volunteers of America Care Facilities, VOA Care Centers, Minnesota and certain other affiliates currently fund substantially all of the operating costs of VOA National Services through management fees for administrative services that totaled approximately $7,926,000 and $6,871,000 in the fiscal years ended June 30, 2016 and June 30, 2015, respectively. See "Related Party Transactions" below.

Volunteers of America, Inc. Volunteers of America, Inc. ("VOA, Inc.") is a Christian human services organization which has operated a variety of social service programs throughout the United States, either directly or through affiliated organizations, since 1896. Such programs include adoption centers, half-way houses for ex-prisoners, emergency shelters for dependent and neglected children, residential treatment centers for emotionally disturbed children and adults, foster group homes for teenagers, alcoholic treatment centers, residential centers for developmentally disabled children and adults, housing for low and moderate income families and elderly persons and other programs and services.

Because of the foregoing relationships, the Company, or VOA National Services may engage in or be required to engage in such activities as VOA, Inc. determines to be in furtherance of its aims and purposes. VOA, Inc. is not restricted from engaging in the business of owning or operating nursing homes or residential care facilities through affiliated organizations other than the Company or VOA National Services.

NEITHER VOA NATIONAL SERVICES, NOR VOA CARE CENTERS, MINNESOTA, NOR VOA, INC. HAVE ANY DIRECT OR INDIRECT EXPRESS OR IMPLIED OBLIGATION TO PAY DEBT SERVICE ON THE SERIES 2017 BONDS OR ANY OBLIGATION FOR ANY OTHER LIABILITIES OF THE COMPANY, OR ANY OTHER CORPORATION THAT IS A SUBORDINATE AFFILIATE OF VOA NATIONAL SERVICES.

Related Party Transactions

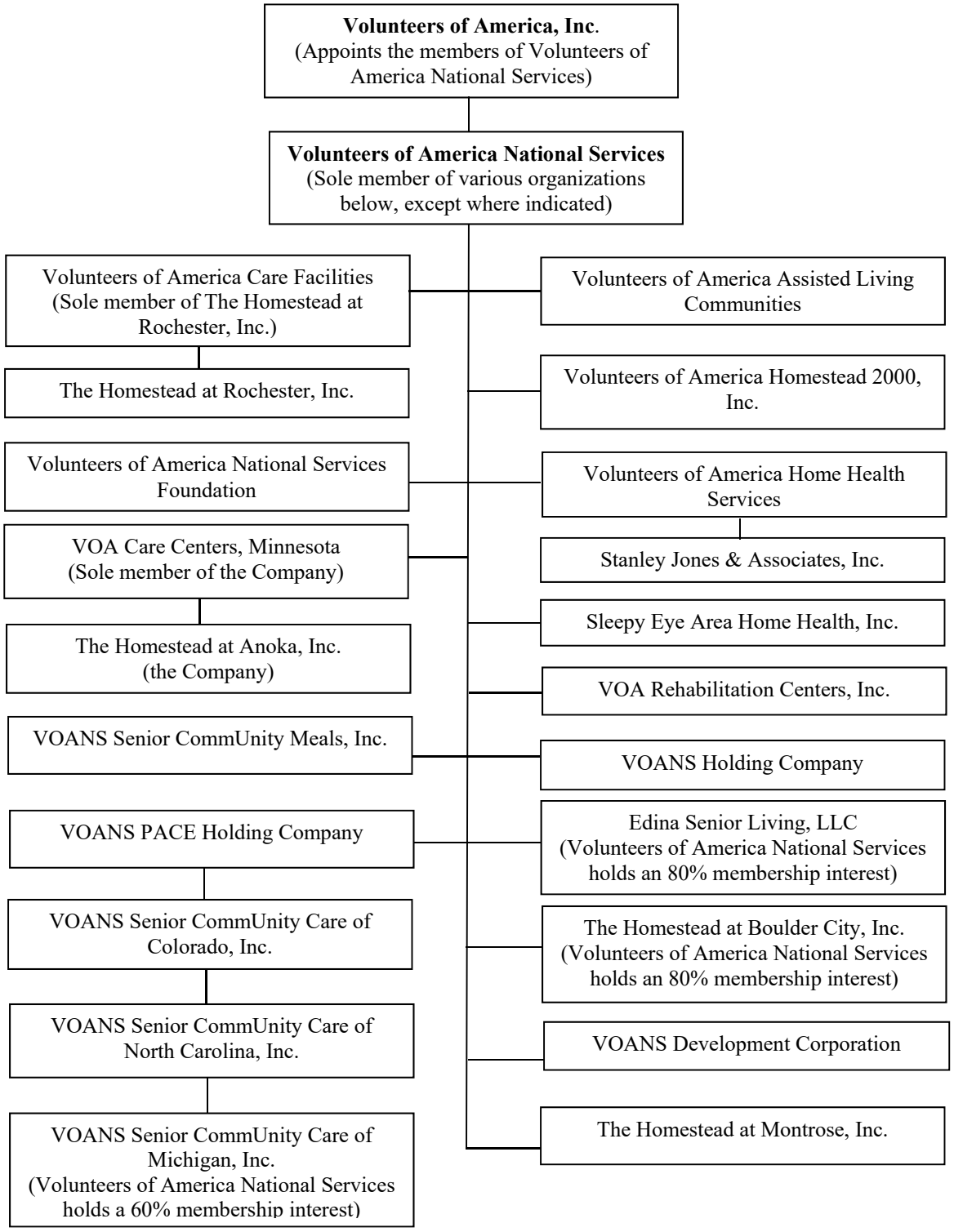
The Company is a subordinate affiliate of VOA National Services, which provides support, coordination, financial management, quality assurance and strategic planning for the Company and certain other subordinate affiliates. The Company and certain other affiliates currently fund substantially all of the operating costs of VOA National Services through management fees that totaled approximately $7,926,000 and $6,871,000 for the fiscal years ended June 30, 2016 and 2015, respectively.

The Company and certain other subordinate affiliates participate in a self-insured group health program of VOA National Services pursuant to which the Company paid approximately $833,000 and $734,000 for the fiscal years ended June 30, 2016 and 2015, respectively. The Company also reported a payable due to VOA National Services of approximately $2,388,000 and $2,971,000 for the fiscal years ended June 30, 2016 and 2015, respectively. VOA National Services reported net assets of approximately $100,836,000 at June 30, 2016, which included the Company's net deficit of $1,016,000 at such date.

VOA National Services is in turn a subordinate affiliate of VOA, Inc., a New York nonprofit company with its headquarters located in Alexandria, Virginia. VOA, Inc. provides administrative support to VOA National Services, for which VOA National Services currently makes administrative support payments. The administrative support payments from VOA National Services and its subordinate affiliates to VOA, Inc. in the fiscal years ended June 30, 2016 and 2015 were $2,133,000 and $1,919,000, respectively. The payments to VOA, Inc. are in consideration of general and administrative support and related services provided by VOA, Inc.

Volunteers of America National Services

Corporate Structure



THE PROJECT FACILITIES

General

The proceeds of the Series 2017 Bonds will be used to (i) advance refund the Series 2011 Bonds described herein; (ii) fund an additional deposit to an existing debt service reserve fund, and (iii) fund the costs of issuance of the Bonds.

The Series 2011 Bonds financed the Phase I Project of the Company's health care and senior housing facility, consisting at that time of 59 assisted and independent living units and120 skilled nursing beds. The Parity Bonds, Series 2014, financed the Phase II Project of the facility which added 65 independent living units and 24 memory care units, and transitioned the 59 Phase I units to all assisted living units. The Project Facilities, comprised of both the Phase I Project and Phase II Project, now consists of 120 skilled nursing beds, 59 assisted living units, 24 memory care units, 65 units of independent living and an approximately 8,800 square foot town center. The Series 2017 Bonds will advance refund only the Series 2011 Bonds.

The Phase I Project

The Phase I Project is a senior housing campus of approximately 196,200 square feet containing 59 assisted living units and a 120 bed skilled nursing facility. The Phase I Project is located on approximately 4.5 acres located in the City of Anoka, Minnesota, at 3000, 4th Avenue. Phase I was financed in 2011, followed by a 12 month construction period with the assisted living building opening in December, 2012. The skilled nursing facility opened in February, 2013. Phase I has a town center area consisting of a commercial kitchen, independent/assisted dining room, private dining room, multi-purpose community room, chapel, club room, general store, barber/beauty shop, physical, occupational, and speech therapy room, clinic room, lobby, and offices. There is heated underground parking below the assisted living building. Each floor and each section of the skilled nursing building has been designed as a smallhouse/neighborhood model with most units opening onto the neighborhood rather than a double loaded corridor. Each neighborhood also has its own individual dining area for the residents of that floor. The Phase I Project has a 4 pipe heating and cooling system and all units in the building have individual thermostats. The assisted living apartments are not state licensed for home care and any care that residents may request is provided through state licensed home health agencies. The skilled nursing beds are state licensed.

Features and Services – Phase I Project

The assisted living unit amenities include: individually controlled heat/air; kitchens with refrigerator, stove/self-cleaning oven (except for the studios), microwave, and garbage disposal; in-unit washer and dryer in certain units; wood cabinetry; and private deck or patio. Certain units are equipped with a dishwasher. The following amenities are included in the monthly rent:

- One meal daily with flexible dining options
  (3-meals per day are included in the studio apartment rental rates);
- Weekly light housekeeping services;
- All utilities except phone and cable;
- Leisure activities and educational programs;
- Scheduled transportation for shopping and outings;
- Emergency response pendant;
- 24-hour staffing;
- Wireless internet access;
- Lawn care and snow removal;
- Apartment building maintenance;
- Property tax and building insurance;
- Priority access to The Homestead at Anoka Care Center;
- Use of all campus community spaces;
- Use of *It's Never 2 Late* computer with internet access; and
- Professional management by VOA National Services.

Additional services and other conveniences are available for additional fees:

- Underground heated parking;
- Additional meals in restaurant style dining;
- Personal home care services;
- Housekeeping;
- Storage locker;
- Handyman; and
- Guest meals.

Unit Mix in Assisted Living Units – Phase I Project

	Square Feet	Units	Monthly Rent
1 Bedroom	594	5	$2,525
1 Bedroom	677	1	$2,650
1 Bedroom	696	9	$2,750-$2,875
1 Bedroom	779	6	$3,010
1 Bedroom	782	2	$2,760
1 Bedroom	809	3	$3,070
2 Bedroom	1,230-1,278	6	$3,810-$4,085
Studio	323	2	$1,740
Studio	406	6	$2,080
1 Bedroom	545	4	$2,270
1 Bedroom	562-576	11	$2,435
1 Bedroom	607-625	4	$2,550
		59	

Skilled Nursing Transitional Care	Square Feet	Beds
Private	358	6
Private	380	20
Private	445	2
Semi-Private	632	12
		40

Skilled Nursing Long-Term Care	Square Feet	Beds
Private	358	12
Private	380	40
Private	445	4
Semi-Private	632	24
		80

Phase II Project

The Phase II Project is approximately 150,000 square feet in size and has 65 Independent Living Apartments and 24 Memory Care units. The Phase II building has a bistro, club lounge, dining room, community room, fitness room, guest suite, and offices. There are 44 heated underground parking spaces. The memory care facility is secured and has its own dining room, living room, lounge area, and staff offices, as well as an outdoor garden area. The independent and memory care units are not state licensed for home care and any care that residents may request is provided through state licensed home health agencies.

Construction on the Phase II Project was completed according to schedule and move-ins began in March, 2016, as forecasted. As of November 30, 2016, occupancy in the independent living units was at 86.1% which was ahead of the forecasted occupancy of 63.2%. The occupancy in the memory care units was at 33.8%, which was behind the forecasted occupancy of 81.7%, which equates to 11 fewer memory care units occupied than projected. Overall census for the assisted living, independent living and memory care units at November 30, 2016, was 128 units occupied compared to the forecasted occupancy of 117 units.

Features and Services

The independent living unit amenities include: individually controlled heat/air; kitchens with refrigerator, stove/self-cleaning oven, dishwasher, microwave, and garbage disposal; in-unit washer and dryer; wood cabinetry; and private deck or patio. The following amenities are included in the monthly rent:

- All utilities, including heat, electric, central air conditioning, water, sewer, and trash;
- Wireless internet;
- Scheduled transportation to shopping and outings;
- Leisure activities and educational programs;
- Spiritual program;
- Chapel
- Continental breakfast three days per week
- Personal pendant emergency call system;
- Controlled entry access;
- Month-to-month residency agreement;
- Apartment and building maintenance, including lawn and snow removal;
- Property tax and building insurance;
- Professional management by VOA National Services;
- Priority access to other housing and care options operated by affiliates of VOA National Services, based on availability; and
- Smoke-free and pet friendly environment.

Additional services and other conveniences are available for additional fees:

- Underground heated parking;
- Guest suite;
- Guest meals;
- Bistro and restaurant style dining;
- Additional storage;
- Emergency response;
- Beauty and barber services;
- Housekeeping;
- Satellite/Cable;
- High speed internet; and
- Telephone.

The memory care units include: individually controlled heat/air; kitchenette with sink and refrigerator; wood cabinetry; and a private bathroom with shower. The following amenities are included in the monthly rent:

- All utilities, including heat, electric, central air conditioning, water, sewer, and trash;
- Three meals daily plus snacks;
- Daily housekeeping;
- Personal laundry;
- Life enrichment programs;
- Spiritual program;
- Validation communication;
- 24 hour on-site resident assistant staffing;
- Controlled entry access;
- Month-to-month residency agreement;
- Apartment and building maintenance, including lawn and snow removal;
- Professional management by VOA National Services; and
- Smoke-free environment.

Additional services and other conveniences are available for additional fees:

- Access to personal care 24 hours a day (packages);
- Satellite/Cable;
- High speed internet;
- Telephone;
- Beauty and barber services;
- Guest suite; and
- Guest meals.

Unit Mix in Independent and Memory Care Units – Phase II Project

Independent	Square Feet	Units	Monthly Rent
1 Bedroom- Palmer	790	8	$1,695
1 Bedroom/Sunroom-Jackson	907	8	$1,925
1 Bedroom/Sunroom-Washburn	932	5	$1,995
1 Bedroom/Sunroom-Washburn	952	10	$2,020
1 Bedroom/Study-Cutter	1,046	2	$2,095
2 Bedroom-Kline	1,180	4	$2,295
2 Bedroom-Charles	1,213	4	$2,395
2 Bedroom-Caswell	1,216	8	$2,395
2 Bedroom/Sunroom-Giddings	1,273	1	$2,725
2 Bedroom/Sunroom-Giddings	1,293	2	$2,750
1 Bedroom/Study & Sunroom-Belanger	1,283	2	$2,625
2 Bedroom/Sunroom-Shaw	1,294	1	$2,750
2 Bedroom/Sunroom-Shaw	1,314	2	$2,775
2 Bedroom/Sunroom-Goodrich	1,520	6	$3,225
2 Bedroom/Den-Church	1,538	1	$3,250
2 Bedroom/Den-Ballington	1,529	1	$3,295
		65	

Memory Care	Square Feet	Units	Monthly Rent
Studio-Franklin	380	18	$3,080
Studio-Anoka	396	4	$3,130
1 Bedroom-Aldrich	514	2	$3,370
		24	

Net Revenue Pledge Agreement

On December 1, 2014, the Company entered into an agreement with a related party that operates a licensed home health agency, Volunteers of America Home Health Services ("VOAHHS"), whereby all net revenues of VOAHHS from contracts with residents of the Project Facilities have been pledged and assigned to the Company. During the term of the agreement, VOAHHS will make quarterly transfers of cash to the Company for the preceding calendar quarter. The agreement expires on June 30, 2020. Unrestricted transfers from any affiliate of the Company, including but not limited to the quarterly transfers from VOAHHS, are included within the definition of Gross Revenues of the Company in the Loan Agreement, for purposes of calculating the Debt Service Coverage Ratio and other financial covenants of the Company.

Facility Management

Management services are provided by VOA National Services, pursuant to a management agreement, amended to include management of Phase II. VOA National Services has a central office staff of approximately 40 employees and currently manages for its subordinate affiliates a total of 1,007 skilled nursing facility beds, 24 geriatric psychiatric hospital beds, and a total of 951 senior housing and assisted living units. As compensation for its services, VOA National Services is entitled to management fees equal to 4.5% of gross revenues, net of contractual and other allowances, of the Company during the term of the agreement. Management fees in excess of 3% are subordinate and junior in right to the payment in full of the principal of, premium, if any and interest in connection with the Series 2017 Bonds and the Series 2014 Parity Bonds.

Occupancy

		Average Occupancy				
		For the year ended June 30,				For the five months ended November 30,
	Units	2016	2015	2014	2013	2016
Assisted Living	59	92.0%	96.9%	87.9%	35.3%	91.3%
Skilled Nursing	120	95.2%	96.4%	94.2%	87.8%	95.0%
Independent Living	65	54.5%				86.1%
Memory Care	24	19.2%				33.8%

Sources of Revenue – Skilled Nursing Facility

The following table shows the percentages of revenue of the skilled nursing facility of the Company represented by each principal source of payments for the following periods:

Sources of Revenue

	For the year ended June 30,				For the five months
	2016	2015	2014	2013	ended November 30, 2016
Private	8.3%	12.5%	12.9%	15.6%	8.9%
Medicaid	28.4%	32.6%	34.0%	30.3%	27.9%
Medicare	38.8%	30.3%	31.8%	30.3%	38.0%
HMO	16.8%	16.4%	11.1%	9.3%	15.8%
Other	7.7%	8.2%	10.2%	14.5%	9.4%
	100.00%	100.00%	100.00%	100.00%	100.00%

Employees

As of November 30, 2016 the Company had approximately 167 full-time equivalent employees. During the fiscal year ended June 30, 2016, labor related costs, excluding central administration expense, accounted for approximately 49% of the total operating expense of the Company.

Nursing	57%
Dietary	9%
Housekeeping	3%
Administration	5%
Maintenance	2%
Therapeutic Services	16%
Social Services	5%
Activities	3%
Total	100%

Selected Financial Data of the Company

	Company's Balance Sheet Data		
	June 30,		November 30,
	2016	2015	2016
Cash and Short-term Investments	$ 4,683,000	$ 5,812,000	$ 3,293,000
Other Current Assets	3,164,000	2,403,000	3,255,000
Property, Plant & Equipment	43,926,000	30,338,000	44,044,000
Other Long-term Assets	7,953,000	21,785,000	7,158,000
Total Assets	59,726,000	60,338,000	57,750,000
Current Liabilities	2,378,000	2,032,000	2,046,000
Long-term Debt	55,941,000	56,281,000	55,567,000
Other Long-term Liabilities	2,423,000	2,971,000	1,392,000
Total Liabilities	60,742,000	61,284,000	59,005,000
Total Unrestricted Net Assets (Deficit)	(1,016,000)	(946,000)	(1,255,000)

	Company's Operating Data		
	Year Ended June 30,		Five Months Ended November 30,
	2016	2015	2016
Revenues (Net Allowances)	$18,952,000	$17,918,000	$ 8,748,000
Investment Income	34,000	15,000	15,000
Total Operating Expenses	19,056,000	17,081,000	9,002,000
Excess (Deficiency) of Revenues Over Expenses	(70,000)	852,000	(239,000)
Depreciation and Amortization	1,154,000	994,000	672,000
Interest	2,680,000	2,379,000	1,449,000
Operating Income Available for Debt Service	3,764,000	4,225,000	1,882,000
Historic Debt Service	2,714,000	2,379,000	1,129,000
Historic Debt Service Coverage	1.39	1.78	1.67

Days Cash on Hand

	As of June 30,			As of November 30,
	2016	2015	2014	2016
Cash and Cash Equivalents	2,138,000	2,176,000	1,320,000	1,697,000
Unrestricted Short Term Investments	777,000	777,000	738,000	777,000
Total	2,915,000	2,953,000	2,058,000	2,474,000
Operating Expenses	17,902,000	16,087,000	16,107,000	8,330,000
Daily Cash Operating Expenses	48,913	44,074	44,129	54,444
Number of Days Cash on Hand	**60**	**67**	**47**	**45**

Management Discussion and Analysis

Construction of Phase I of the campus was completed during fiscal year 2013. The independent and assisted living units opened in December, 2012 and the skilled nursing facility opened in February, 2013. During fiscal year 2013 there were no principal payments required with respect to the Series 2011 Bonds issued to finance Phase I, and all interest payments were made by funded interest from the Series 2011 Bonds. Fiscal year 2014 was the first full year of operations. The skilled nursing facility was at stabilized occupancy at the start of the fiscal year, while the independent and assisted living facility reached stabilization during fiscal year 2014. The Phase I skilled nursing facility was a replacement facility for a 98 bed skilled nursing facility in Anoka, Minnesota, owned by the Company. All residents of the older skilled nursing facility were relocated to the Phase I newly constructed skilled nursing facility upon completion, and operations at the 98 bed facility ceased at that time. During fiscal year 2014, the Company sold the older skilled nursing facility resulting in a non-recurring loss on sale of approximately $773,000. Fiscal year 2015 performance reflects a full year of stabilized occupancy for Phase I. In December, 2014, the Company issued $22,235,000 in Series 2014 Bonds to finance the construction of Phase II. Financial performance declined in Fiscal year 2016 due to the opening of Phase II which occurred in March, 2016. Marketing expense of $130,000 was incurred to fill the new units, as well as an increase in interest and depreciation totaling $463,000.

For the five months ended November 30, 2016, the Company reported a net loss of $239,000 compared to a budgeted net loss of $410,000 for a positive budget variance of $171,000. Net revenue for the independent, assisted living and memory care units exceeded budget by $40,000, due to the net occupancy for the independent living units exceeding the forecasted census. Another contributing factor was that personnel related costs for the skilled nursing facility were under budget by $80,000 for the five months. Additionally, ancillary professional services and supplies in the skilled nursing facility were under budget by $55,000.

APPENDIX B

FINANCIAL STATEMENTS OF THE COMPANY

- Audited Financial Statements of the Company as of and for the Fiscal Years ended June 30, 2016 and 2015

- Unaudited Financial Statements of the Company as of and for the five fiscal months ended November 30, 2016 and 2015

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THE HOMESTEAD AT ANOKA, INC.

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and For the Years Ended June 30, 2016 and 2015

Baker Tilly Virchow Krause, LLP
225 S Sixth St, Ste 2300
Minneapolis, MN 55402-4661
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Homestead at Anoka, Inc.
Eden Prairie, Minnesota

We have audited the accompanying financial statements of The Homestead at Anoka, Inc. (the "Organization"), which comprise the balance sheet as of June 30, 2016 and the related statements of operations and changes in net deficit and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, and the changes in its net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended June 30, 2015 were audited by other auditors whose report dated October 16, 2015 expressed an unmodified opinion on those statements.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
October 17, 2016

THE HOMESTEAD AT ANOKA, INC.

	2016	2015
Assets:		
Current assets:		
Cash and cash equivalents	**$ 2,138,000**	$ 2,176,000
Short-term investments	**2,545,000**	3,636,000
Receivables:		
Third-party payors and patient receivables	**2,912,000**	2,252,000
Other	**42,000**	5,000
Prepaid expenses	**210,000**	146,000
Total current assets	**7,847,000**	8,215,000
Property and equipment, net of accumulated depreciation	**43,926,000**	30,338,000
Other long-term assets:		
Bond trust funds	**6,237,000**	20,004,000
Deferred charges and other assets, net	**1,716,000**	1,781,000
Total other long-term assets	**7,953,000**	21,785,000
Total assets	**$ 59,726,000**	$ 60,338,000

	2016	2015
Liabilities and net deficit:		
Current liabilities:		
Accounts payable	**$ 267,000**	$ 268,000
Accrued expenses	**1,528,000**	1,289,000
Current portion of:		
Long-term debt	**365,000**	345,000
Capital lease obligations	**11,000**	-
Due to third party payors	**207,000**	130,000
Total current liabilities	**2,378,000**	2,032,000
Long-term liabilities:		
Long-term debt, net	**55,941,000**	56,281,000
Capital lease obligations, net	**35,000**	-
Intercompany payable	**2,388,000**	2,971,000
Total long-term liabilities	**58,364,000**	59,252,000
Total liabilities	**60,742,000**	61,284,000
Unrestricted net deficit	**(1,016,000)**	(946,000)
Total liabilities and net deficit	**$ 59,726,000**	$ 60,338,000

See notes to financial statements.

STATEMENTS OF OPERATIONS AND
CHANGES IN NET DEFICIT
YEARS ENDED JUNE 30

	2016	2015
Operating revenues, net of contractual allowances	**$ 18,952,000**	$ 17,918,000
Operating expenses:		
Salaries and employee benefits	**9,346,000**	7,959,000
Other	**5,876,000**	5,749,000
Depreciation and amortization	**1,154,000**	994,000
Interest	**2,680,000**	2,379,000
Total operating expenses	**19,056,000**	17,081,000
Operating income (loss)	**(104,000)**	837,000
Nonoperating revenues:		
Investment income	**34,000**	15,000
Excess (deficiency) of revenue over expenses and change in net deficit	**(70,000)**	852,000
Unrestricted net deficit, beginning	**(946,000)**	(1,798,000)
Unrestricted net deficit, ending	**$ (1,016,000)**	$ (946,000)

See notes to financial statements.

	2016	2015
Cash flows from operating activities:		
Change in net deficit	**$ (70,000)**	$ 852,000
Adjustments to reconcile change in net deficit to net cash provided by operating activities		
Change in allowance for doubtful accounts	**(35,000)**	24,000
Depreciation and amortization	**1,154,000**	994,000
Original issue discount accretion	**16,000**	13,000
Changes in assets and liabilities:		
Receivables	**(662,000)**	638,000
Prepaid expenses	**(64,000)**	(22,000)
Other assets	**(15,000)**	-
Accounts payable and accrued expenses	**238,000**	146,000
Due to third-party payors	**77,000**	54,000
Net cash provided by operating activities	**639,000**	2,699,000
Cash flows from investing activities:		
Purchase of property and equipment	**(14,606,000)**	(3,927,000)
Sale (purchase) of investments	**1,091,000**	(2,494,000)
Net cash used in investing activities	**(13,515,000)**	(6,421,000)
Cash flows from financing activities:		
Proceeds from long-term debt	**-**	21,972,000
Payments of long-term debt	**(345,000)**	-
Payments on capital lease obligations	**(1,000)**	-
Decrease (increase) in bond trust funds	**13,767,000**	(15,216,000)
Decrease in intercompany payable	**(583,000)**	(1,333,000)
Increase in deferred charges	**-**	(845,000)
Net cash provided by financing activities	**12,838,000**	4,578,000
Net change in cash and cash equivalents	**(38,000)**	856,000
Cash and cash equivalents at beginning of period	**2,176,000**	1,320,000
Cash and cash equivalents at end of period	**$ 2,138,000**	$ 2,176,000
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	**$ 2,372,000**	$ 2,190,000
Non-cash financing activity:		
Property and equipment financed through capital lease	**$ 47,000**	$ -

See notes to financial statements.

1. Nature of business and summary of significant accounting policies:

The Homestead at Anoka, Inc. (the Organization) is a not-for-profit corporation that was formed in August 2010 for the construction and operation of a senior living campus located in Anoka, Minnesota. As of June 30, 2015, the campus was composed of 59 independent and assisted living units and 120 skilled nursing facility beds. The Organization completed an expansion with operations beginning in March 2016, which added 24 assisted living/memory care units and 65 independent living units.

The Organization is a 501(c)3 not-for-profit corporation whose sole member is VOA Care Centers, Minnesota. VOA Care Centers, Minnesota and The Homestead at Anoka, Inc. are subordinate affiliates of Volunteers of America National Services (VOANS). The Organization's intercompany balances are due to VOANS and its other subordinate affiliates.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, other than those designated as short-term investments and bond trust funds.

Short-term investments:

Short-term investments consist of: (a) bond trust funds in excess of amounts required under the indenture agreement; (b) and deposits with VOANS that have been pooled with those of other affiliates of VOANS ("pooled deposits"). The bond trust funds consist primarily of cash and cash equivalents, and are recorded at its carrying value, which approximates fair value.

Prior to 2015, the Organization pooled its cash accounts with other affiliates, and received an allocation of any investment income earned from the investment of those funds by VOANS. In 2015, the Organization segregated its cash accounts from its affiliates, and as a result no longer receives an allocation of investment income. However, the Organization has not liquidated the entirety of the amounts held by VOANS. The remaining pooled deposits with VOANS are maintained in an account consisting primarily of marketable securities.

The pooled deposits are recorded at the fair value of the Organization's share of the marketable securities at the time the Organization ceased to receive an investment allocation. The carrying value of the pooled deposits was $777,000 at June 30, 2016 and 2015. Because the Organization no longer shares in the investment income of the marketable securities, realized and unrealized losses are not deducted from this carrying amount. There have been no material declines in the fair value of the marketable securities that would indicate the Organization could not recapture the carrying value upon liquidation at June 30, 2016 and 2015.

1. Nature of business and summary of significant accounting policies (continued):

Receivables:

Third-party payors and patient receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt based on its assessment of the current status of individual account balances that are still outstanding. After management has used exhaustive collection efforts, accounts receivable balances are written-off through a charge to the provision for bad debts. The allowance for doubtful accounts was $119,000 and $154,000 at June 30, 2016 and 2015, respectively.

Property and equipment and depreciation method:

Property and equipment are stated at cost. Depreciation is being provided primarily by the straight-line method over the estimated useful lives of the related assets. The estimated useful lives of the assets are as follows:

Land improvements	10 years
Building and improvements	10-40 years
Furniture and equipment	3-10 years

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

Amortization of assets acquired under capitalized leases is included in accumulated depreciation.

Impairment of property and equipment:

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. There were no impairment losses recognized during the year ended June 30, 2016 and 2015.

Deferred financing costs:

Financing costs are being amortized principally by a method which relates such costs to the outstanding debt.

Bond trust funds:

Bond trust funds consist of investments held by trustees under various bond indenture agreements. Amounts held in bond trust funds in excess of amounts required under the indenture agreement are classified as short-term investments. These investments, consisting of money market funds, short-term treasury funds, and certificates of deposit are recorded at cost, which approximate fair value.

Operating revenues:

Operating revenues consist primarily of net patient revenue, which is reported at the estimated net realizable amounts from patients and third party payors for services rendered.

1. Nature of business and summary of significant accounting policies (continued):

Contributions:

Contributions and donations are included in operating revenues and are not considered significant. The Organization also does not incur significant fundraising costs.

Advertising costs:

Advertising costs are expensed as incurred and were approximately $212,000 and $104,000 for the years ended June 30, 2016 and 2015, respectively and are included in other operating expenses.

Income taxes:

The Organization is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and applicable state statutes. The Organization has evaluated its tax positions for uncertainty and has no unrecognized tax matters that are required to be disclosed.

The Organization had no income tax expense and there were no cash payments for income taxes in 2015 and 2016.

Concentration of risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, bond trust funds and third-party payors and resident receivables.

The Organization places its cash and cash equivalents, short-term investments and bond trust funds with high credit quality financial institutions. At times, such amounts may be in excess of the FDIC insurance limits. The Organization has not experienced any loss associated with this practice.

With respect to third-party payors and patient receivables, the Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables at June 30, are as follows:

	2016	2015
Medical Assistance	**24.0 %**	30.0 %
Medicare	**33.2**	25.6
Other third-party payors	**34.1**	36.2
Patients	**8.7**	8.2
	100.0 %	100.0 %

1. Nature of business and summary of significant accounting policies (continued):

Subsequent events:

The Organization evaluated for subsequent events through October 17, 2016, the date the financial statements were issued.

Reclassifications:

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

2. Operating revenues from third-party payors:

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A significant portion of the Organization's operating revenues is derived from these third-party payor programs. A summary of the principal payment arrangements with major third-party payors are as follows:

- Medicare: Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a patient-specific classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. The Organization is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges. Approximately 34% and 27% in 2016 and 2015, respectively, of the Organization's operating revenues were derived from the Medicare Part A program.
- Medical Assistance: Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. Approximately 25% and 29% in 2016 and 2015, respectively, of the Organization's operating revenues were derived from the Medical Assistance program.

As described above, the Medicare Part A and Medical Assistance rates are based on clinical, diagnostic, and other factors. The determination of these rates is partially based on the Organization's clinical assessment of its patients. The Organization is required to clinically assess its patients at predetermined periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare and Medical Assistance programs.

The Organization also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per day or discounts from established charges.

3. Property and equipment:

Property and equipment consists of the following at June 30,:

	2016	2015
Land	**$ 2,349,000**	$ 2,349,000
Buildings and improvements	**40,634,000**	27,204,000
Furniture and equipment	**4,306,000**	3,047,000
	47,289,000	32,600,000
Less accumulated depreciation	**3,363,000**	2,262,000
Total	**$ 43,926,000**	$ 30,338,000

Depreciation expense was $1,101,000 and $950,000 for the years ended June 30, 2016 and 2015, respectively.

Construction costs related to the expansion are included in buildings and improvements. The Organization incurred interest costs totaling $3,496,000 and 2,990,000, of which approximately $816,000 and $611,000 was capitalized in 2016 and 2015, respectively.

4. Deferred charges and other assets:

Deferred charges and other assets consists of the following at June 30:

	2016		
	Gross Carrying Amount	**Accumulated Amortization**	**Net**
Deferred financing costs	**$ 1,944,000**	**$ (258,000)**	**$ 1,686,000**
Security deposits	**30,000**	**-**	**30,000**
Total	**$ 1,974,000**	**$ (258,000)**	**$ 1,716,000**

	2015		
	Gross Carrying Amount	Accumulated Amortization	Net
Deferred financing costs	$ 1,944,000	$ (178,000)	$ 1,766,000
Security deposits	15,000	-	15,000
Total	$ 1,959,000	$ (178,000)	$ 1,781,000

Amortization expense was approximately $53,000 and $44,000 for the years ended June 30, 2016 and 2015, respectively. Additionally, in fiscal year 2016 and 2015, $27,000 and $19,000, respectively, of amortization was capitalized as the construction of the new facility was not yet complete. Amortization expense is estimated to be approximately $79,000 in 2017, $78,000 in 2018, $77,000 in 2019, $76,000 in 2020 and $75,000 in 2021.

5. Capital leases:

The Organization is leasing vehicles under capital leases. The cost of the equipment and related accumulated amortization is as follows:

	2016
Furniture and equipment	**$ 57,000**
Less accumulated amortization (included in accumulated depreciation, Note 3)	**1,000**
	$ 56,000

Future minimum payments on capital lease are as follows:

Years ending June 30:	
2017	$ 13,000
2018	13,000
2019	13,000
2020	12,000
Total lease payments	51,000
Less interest	5,000
Capital lease obligations	$ 46,000

6. Long-term debt:

Long-term debt consists of the following at:

	2016	2015
The Organization issued $22,235,000 in tax-exempt revenue bonds to finance the expansion of the senior living campus, which was completed in March 2016 and added 24 assisted living/memory care units and 65 independent living units. The bonds were issued on December 1, 2014, are due on November 1, 2049, and are secured by the skilled nursing, independent and assisted living facilities and related equipment and furnishings. The fixed interest rates range from 2.50% to 5.375%.	**$ 22,235,000**	$ 22,235,000
The Organization issued $34,475,000 in tax-exempt revenue bonds for the purpose of acquisition of land and construction of a 120 bed skilled nursing facility and a senior housing complex that consists of 59 units of independent and assisted living; and $465,000 in taxable revenue bonds to be used for issuance costs. The bonds were issued on November 1, 2011, are due on November 1, 2046, and are secured by the skilled nursing, independent and assisted living facilities and related equipment and furnishings. The fixed interest rates range from 3.50% to 7.00%.	**34,595,000**	34,940,000
Total	**$ 56,830,000**	$ 57,175,000

Future annual maturities of long-term debt, for the years ending June 30, are as follows:

	Amount
2017	$ 365,000
2018	385,000
2019	685,000
2020	710,000
2021	745,000
Thereafter	53,940,000
	56,830,000
Less unamortized discount	524,000
Total	56,306,000
Less current portion	365,000
Long-term portion of long-term debt	$ 55,941,000

7. Retirement plan:

The Organization participates in a defined contribution retirement plan sponsored by VOANS. The plan covers all employees who have met certain employment requirements. The Organization made contributions to this plan of $51,000 and $42,000 for the years ended June 30, 2016 and 2015, respectively.

8. Related party transactions:

The Organization contracted with VOANS for administrative services based on a management agreement that is renewed on a yearly basis. The cost of such services was $848,000 and $799,000 for the years ended June 30, 2016 and 2015, respectively.

The Organization also sells and purchases various services to and from VOANS' subordinate affiliates. The cost of such services sold amounted to $118,000 and $60,000; and the cost of services purchased was $699,000 and $843,000 for the years ended June 30, 2016 and 2015, respectively.

The Organization participates in a self-insured group health insurance program of VOANS. The Organization paid $833,000 and $734,000 to VOANS for group health insurance for the years ended June 30, 2016 and 2015, respectively. The employees participating in the program are responsible for a portion of the cost.

Various intercompany transactions routinely occur between the Organization and VOANS and its other subordinate affiliates. The intercompany transactions resulted in a payable balance of $2,388,000 and $2,971,000 at June 30, 2016 and 2015, respectively.

9. Functional expenses:

Total operating expenses for the years ended June 30, 2016 and 2015, allocated on a functional basis, are as follows:

	2016	2015
Program services	$ **17,990,000**	$ 16,090,000
Support services (predominantly management and general)	**1,066,000**	991,000
	$ **19,056,000**	$ 17,081,000

10. Commitments and contingencies:

Medical malpractice claims coverage:

The Organization is subject to various legal proceedings and claims which arise in the ordinary course of business. The Organization maintains malpractice insurance coverage for claims made during the policy year. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

Workers' Compensation and Group Health Insurance:

The Organization participates in a self-insured health plan sponsored by VOANS, a related party (see Note 8). The Organization is also self-insured for workers' compensation. Workers' compensation policies are subject to audit and retroactive adjustment. Any significant variations in anticipated claims cost could result in adjustments to health insurance and workers' compensation expense for the Organization when the effect becomes reasonably determinable.

Industry developments:

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

THE HOMESTEAD AT ANOKA, INC.

FIVE MONTHS ENDED NOVEMBER 30, 2016

(Unaudited)

THE HOMESTEAD AT ANOKA, INC.

ASSETS

	2016 (Unaudited)
Current assets:	
Cash and cash equivalents	$ 1,697,000
Short-term investments	1,596,000
Receivables:	
Third-party payors and patient receivables, net of allowance for doubtful accounts (2016, $138,000)	3,104,000
Other	0
Prepaid expenses	151,000
Total current assets	6,548,000
Property and equipment, net of accumulated depreciation (2016, $4,002,000)	44,044,000
Other assets:	
Bond trust funds	5,474,000
Deferred charges and other assets, net of accumulated amortization (2016, $291,000)	1,684,000
	7,158,000
Total assets	$ 57,750,000

LIABILITIES AND NET DEFICIT

	2016 (Unaudited)
Current liabilities:	
Accounts payable	$ 246,000
Accrued expenses	1,224,000
Current portion of:	
Long-term debt	385,000
Capital lease obligations	11,000
Due to third party payors and patients	180,000
Total current liabilities	2,046,000
Long-term liabilities:	
Capital lease obligations, net of current portion	30,000
Long-term debt	55,567,000
Intercompany payable	1,362,000
	56,959,000
Total liabilities	59,005,000
Unrestricted net deficit	(1,255,000)
Total liabilities and net deficit	$ 57,750,000

THE HOMESTEAD AT ANOKA, INC.

STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT)
FIVE MONTHS ENDED NOVEMBER 30,

	2016 (Unaudited)
Operating revenues, net of contractual allowances	$ 8,748,000
Operating expenses:	
Salaries and employee benefits	4,230,000
Other	2,651,000
Depreciation and amortization	672,000
Interest	1,449,000
Total operating expenses	9,002,000
Operating loss	(254,000)
Nonoperating revenues:	
Investment income	15,000
Excess (deficiency) of revenue over expenses and change in net deficit	(239,000)
Unrestricted net deficit, beginning	(1,016,000)
Unrestricted net deficit, ending	$ (1,255,000)

THE HOMESTEAD AT ANOKA, INC.

STATEMENTS OF CASH FLOWS
FIVE MONTHS ENDED NOVEMBER 30,

	2016 (Unaudited)
Cash flows from operating activities:	
Change in net deficit	$ (239,000)
Adjustments to reconcile change in net deficit to net cash provided by operating activities	
Change in allowance for doubtful accounts	19,000
Depreciation and amortization	672,000
Original issue discount accretion	11,000
Changes in assets and liabilities:	
Receivables	(169,000)
Prepaid expenses	59,000
Accounts payable and accrued expenses	(325,000)
Due to third-party payors and patients	(27,000)
Net cash provided by operating activities	1,000
Cash flows from investing activities:	
Purchase of property and equipment	(758,000)
Sale (purchase) of investments	949,000
Net cash used in investing activities	191,000
Cash flows from financing activities:	
Payments on capital lease obligations	(5,000)
Payments of long-term debt	(365,000)
Decrease (increase) in bond trust funds	763,000
Decrease in intercompany payable	(1,026,000)
Net cash provided by financing activities	(633,000)
Net change in cash and cash equivalents	(441,000)
Cash and cash equivalents at beginning of period	2,138,000
Cash and cash equivalents at end of period	$ 1,697,000

APPENDIX C

CERTAIN DEFINITIONS AND SUMMARY OF DOCUMENTS

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Brief descriptions of the Indenture, the Loan Agreement and the Mortgage, and the definitions of certain terms used therein and herein are included in this Appendix C. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Loan Agreement and the Mortgage are qualified in their entirety by reference to each such document and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Indenture. Copies of such documents are available for review prior to the issuance and delivery of the Bonds at the office of the Underwriter, and after issuance, at the office of the Trustee.

DEFINITIONS OF CERTAIN TERMS

In the foregoing Official Statement and in this Appendix the following terms have the following meanings unless the context hereof clearly requires otherwise and any other terms used in the foregoing Official Statement and in this Appendix and not defined below shall have the same meaning when used in the Official Statement and in this Appendix as are given in the Indenture or Loan Agreement unless the context or use thereof indicates another or different meaning or intent:

"Act" means Chapter 462C, Minnesota Statutes, as amended.

"Additional Bonds" means any Additional Bonds authorized under the Indenture.

"Affiliate" means a person who is directly or indirectly controlling or controlled by or under direct or common control with the Borrower; "control" means the power to direct management and policies, directly or indirectly, whether through ownership, by contract, or otherwise.

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

"Beneficial Owner" means the person for which DTC or its participant(s) holds an interest in the Bonds.

"Bond Counsel" means Faegre Baker Daniels LLP or any other Independent nationally recognized bond counsel.

"Bond Documents" means the Loan Agreement, the Indenture, the Bond Resolution, the Mortgage, and the Escrow Agreement.

"Bond Resolution" means the resolution of the Issuer adopted by the Board of Commissioners on October 17, 2016, authorizing the issuance of the Series 2017 Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

"Bonds" mean the Series 2014 Bonds, the Series 2017 Bonds and, as the context requires, any Additional Bonds.

"Borrower" means The Homestead at Anoka, Inc., a Minnesota nonprofit corporation, its successors and assigns.

"Cash and Liquid Investments" means all cash and marketable securities, including without limitation, funded depreciation, whether classified as current or noncurrent assets, held by the Borrower for any of its corporate purposes, all as set forth in the most recently available audited financial statements of the Borrower, excluding amounts in any funds or accounts held by the Trustee under the Indenture.

"Code" means the Internal Revenue Code of 1986, as amended.

"Days Cash on Hand" means, for any Fiscal Year end, the sum determined by dividing (i) Cash and Liquid Investments and money paid by the Borrower to the Trustee held in the Bond Fund for payment of interest on the Bonds, by (ii) the quotient of total Operating Expenses (calculated on an accrual basis) plus interest on the Bonds for such Fiscal Year, divided by the number of days in such Fiscal Year.

"Debt Coverage Ratio" means Net Revenues Available for Debt Service of the Borrower for a Fiscal Year divided by the Total Principal and Interest Requirements for such Fiscal Year.

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

"Determination of Taxability" shall occur upon receipt by the Trustee of a statutory notice of deficiency by the Internal Revenue Service, a ruling from the National Office of the Internal Revenue Service, or a final decision of a court of competent jurisdiction which holds in effect that interest payable on any series of Bonds is includable for federal income tax purposes in the gross income of a Bondholder because of any act or omission of the Borrower (or any successor or transferee) or of the Trustee; provided, however, that the Borrower shall have an opportunity for no more than 180 days after receipt by the Trustee to initiate an appeal of any such statutory notice, ruling or final decision and that no such statutory notice, ruling or final decision shall be deemed a "Determination of Taxability" if the Borrower is appealing the same during such 180 day period in good faith until the earliest of (a) abandonment of the appeals process by the Borrower, (b) the date on which such appeals process has been concluded adversely to the Borrower and no further appeals are possible, or (c) 36 months after the initial receipt by the Trustee of such statutory notice, ruling or final decision; and provided further than no Determination of Taxability shall arise from the interest on the Bonds being included (1) in income for purposes of calculating alternative minimum taxable income of any corporation pursuant to Section 55 of the Code or under Minnesota law; (2) in the net investment income of foreign insurance companies pursuant to Section 842(b) of the Code; (3) in earnings and profits of branches of foreign corporations for purposes of calculating the "branch profits" tax; (4) within gross income of certain recipients of social security and railroad retirement benefits; (5) as passive investment income to certain subchapter S corporations which have subchapter C earnings and profits; or (6) for purposes of reducing losses taken into account under Section 832(b)(5) of the Code for insurance companies subject to the tax imposed by Section 831 of the Code.

"DTC" means Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, or any successor book-entry securities depository for the Bonds appointed pursuant to the Indenture.

"EMMA" means the Electronic Municipal Market Access system operated by the Municipal Securities Rulemaking Board as the primary portal for complying with the continuing disclosure requirements of SEC Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

"Escrow Agreement" means the Escrow Agreement dated as of the date of closing and delivery of the Series 2017 Bonds, among the Issuer, the Borrower and the Trustee, as escrow agent.

"First Amendment to Loan Agreement" means the First Amendment to Loan Agreement dated as of December 1, 2014.

"First Supplemental Mortgage" means the First Supplemental Mortgage dated as of December 1, 2014.

"First Supplemental Indenture" means the First Supplemental Trust Indenture dated as of December 1, 2014.

"Fiscal Year" means the period commencing on the first day of July of any year and ending on the last day of June of the following year or any other 12 month period specified in a Borrower Certificate as its Fiscal Year.

"Governmental Restrictions" means federal, state or other applicable governmental laws, regulations or policies which place restrictions and limitations on the (a) fees and charges to be fixed, charged and collected by the Borrower, (b) the timing of receipt of Gross Revenues, or (c) the current or future level of reimbursement or payment from governmental agencies or other third party payors.

"Gross Revenues" means for any period of calculation, the aggregate, calculated in accordance with generally accepted accounting principles, of all operating and non-operating revenues of the Borrower, including, but without limiting the generality of the foregoing, (a) residential service revenues, (b) other operating revenues, (c) contributions (other than contributions which are restricted in such a manner to prohibit use to pay Total Principal and Interest Requirements or Operating Expenses), (d) unrestricted investment income, (e) unrestricted endowment income, (f) net proceeds from business interruption insurance, and (g) any unrestricted transfer from any entity affiliated with the Borrower, including but not limited to additional cash contributions, payment of expenses, or indebtedness expressly subordinated to the payment of the Bonds; provided, that any calculation of the Gross Revenues shall not take into account any unrealized gains or losses on investments or any extraordinary or nonrecurring items, in accordance with generally accepted accounting principles (including without limitation any gain or loss resulting from either the extinguishment of indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business).

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

"Indenture" means the Trust Indenture dated as of November 1, 2011 between the Issuer and U.S. Bank National Association, as Trustee, under which the Bonds are authorized to be issued, including the First Supplemental Indenture, the Second Supplemental Indenture and any other indenture supplemental thereto.

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

"Independent Accountant" means an Independent certified public accountant or firm of certified public accountants, licensed and qualified to practice as such under the laws of the Minnesota.

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

"Independent Engineer" means an Independent engineer or engineering firm or an Independent architect or architectural firm qualified to practice the profession of engineering or architecture under the laws of Minnesota.

"Issuer" or "City" means the City of Anoka, Minnesota, a Minnesota municipal corporation and public body corporate and politic, its successor and assigns.

"Land" means the land and interests in land constituting the site of the Project Buildings, as set forth in Exhibit A to the Mortgage.

"Liquidity Requirement" means, for each Fiscal Year commencing with the Fiscal Year ending June 30, 2014, 45 Days Cash on Hand.

"Loan" means the loan made under the Loan Agreement from the Issuer to the Borrower.

"Loan Agreement" means the Loan Agreement between the Borrower and the Issuer, as amended by the First Amendment to Loan Agreement and the Second Amendment to Loan Agreement, and as further amended or supplemented from time to time.

"Loan Repayments" means the payments made or to be made by the Borrower pursuant to the Loan Agreement in order to provide for payment of all principal of, premium, if any, and interest on the Bonds.

"Long Term Debt" means all obligations for the payment of money incurred or assumed by a Person which appear as liabilities on its balance sheet as determined in accordance with generally accepted accounting principles consistently applied, having a final maturity of more than one year from the date of its creation or which is renewable or extendible at the option of the obligor for a period or periods more than one year from the date of its creation, but excluding any portion of it which is properly included in current liabilities.

"Moody's" means Moody's Investors Service.

"Mortgage" means the Combination Mortgage, Security Agreement and Fixture Financing Statement and Assignment of Leases and Rents from the Borrower, as mortgagor, to the Issuer, as mortgagee, and all amendments and supplements thereto, including the First Supplemental Mortgage and the Second Supplemental Mortgage, which has been assigned to the Trustee pursuant to an Assignment of Mortgage.

"Mortgaged Property" means the property mortgaged to the Issuer pursuant to the Mortgage and assigned to the Trustee pursuant to the Assignment of Mortgage.

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

"Net Revenues Available for Debt Service" means the Gross Revenues for a specified period, less the total operating expenses of the Borrower for the same specified period (excluding extraordinary losses and expenses or non-recurring items), as determined in accordance with generally accepted accounting principles, to which shall be added the amount of all depreciation, amortization and interest expense, all for the same specified period.

"Original Purchaser" or "Underwriter" means Herbert J. Sims & Co., Inc.

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

"Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights of way, mineral rights, restrictions and exceptions that an Independent Engineer or Authorized Borrower Representative certifies will not interfere with or impair the use of or operations being conducted in the Project Buildings, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Borrower, (iv) the Mortgage, (v) mortgages made expressly junior and subordinate to the Mortgage executed by the Borrower to secure additional Long Term Debt incurred in connection with the completion of the Project, or improvements to the Project Facilities, in accordance with the provisions of the Loan Agreement, and (vi) those additional encumbrances identified in Exhibit B to the Mortgage.

"Person" means any person, individual, trust, foundation, incorporated or unincorporated entity, partnership, joint venture, governmental unit or association.

"Principal and Interest Requirements" means for any Fiscal Year principal and interest requirements on Outstanding Bonds during such Fiscal Year.

"Project" means the Project described in Section 1.03 of the Loan Agreement.

"Project Building" or "Project Buildings" means all buildings now or hereafter located on the Land, as the same may be improved or expanded from time to time, and including all building service equipment and other fixtures incorporated therein or attached thereto.

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

"Project Equipment" means all those items of furnishings, furniture, equipment, and other tangible personal property located in any Project Buildings or otherwise on the Land to the extent financed by the Bonds and all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds to and of any and all such property, excluding any items released or disposed of in accordance with the Loan Agreement.

"Project Facilities" means the Land, the Project Buildings and the Project Equipment, all as the same may at any time exist.

"Qualified Investments" means those investments permitted under Section 5.05 of the Indenture and described herein under the caption "THE INDENTURE – Permitted Investments."

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

"Repair and Replacement Fund" means the fund created with such name in the Indenture.

"Reserve Fund" means the fund with such name created in the Indenture.

"Reserve Requirement" means an amount equal to the maximum Principal and Interest Requirements on Outstanding Bonds for the Bonds (excluding the year of final maturity thereof) and, for any Additional Bonds, as of the date of calculation, an amount of money as specified in the supplemental indenture setting forth the terms of the Additional Bonds but not in excess of the least of: (i) 10% of the stated principal amount (or the issue price, for any series of Bonds which has more than a de minimis amount of original issue discount or premium), within the meaning of the Code, of each series of Bonds, any of which are Outstanding, or (ii) the maximum Principal and Interest Requirements for the then current or any future Fiscal Year, or (iii) 125% of the average Principal and Interest Requirements.

"S&P" means Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc.

"Second Amendment to Loan Agreement" means the Second Amendment to Loan Agreement dated as of February 1, 2017.

"Second Supplemental Mortgage" means the Second Supplemental Mortgage dated as of February 1, 2017.

"Second Supplemental Indenture" means the Second Supplemental Trust Indenture dated as of February 1, 2017.

"Series 2011 Bonds" means the Series 2011A Bonds, the Series 2011B Bonds and the Series 2011C Bonds.

"Series 2011A Bonds" means the City of Anoka, Minnesota $22,560,000 Health Care Facility Revenue Bonds (The Homestead at Anoka, Inc. Project), Series 2011A.

"Series 2011B Bonds" means the City of Anoka, Minnesota $11,915,000 Senior Housing Facility Revenue Bonds (The Homestead at Anoka, Inc. Project), Series 2011B.

"Series 2011C Bonds" means the City of Anoka, Minnesota $465,000 Taxable Revenue Bonds (The Homestead at Anoka, Inc. Project), Series 2011C.

"Series 2014 Bonds" means the City of Anoka, Minnesota $22,235,000 Health Care and Housing Facility Revenue Bonds (The Homestead at Anoka, Inc. Project), Series 2014.

"Series 2017 Bonds" means the City of Anoka, Minnesota $_____ Housing Revenue Refunding Bonds (The Homestead at Anoka, Inc. Project), Series 2017.

"Sole Member" means VOA Care Centers, Minnesota, a Minnesota nonprofit corporation.

"Tax-Exempt Bonds" means the Series 2014 Bonds and the Series 2017 Bonds.

"Total Principal and Interest Requirements" means for any Fiscal Year the sum of the principal and interest requirements on Outstanding Bonds and the principal and interest requirements on all other Long Term Debt (except for any indebtedness expressly subordinated to the payment of the Bonds) of the Borrower during such Fiscal Year, provided that interest which is payable from capitalized interest funded by proceeds of such Bonds or Long Term Debt shall be excluded from interest requirements.

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

"2014 Project" means the acquisition and construction of an expansion to the Borrower's senior campus located in the City of Anoka, including 65 congregate/independent living units and 24 assisted living/memory care units.

THE LOAN AGREEMENT

At or prior to closing of the Series 2011 Bonds, the Issuer and the Borrower executed and delivered the Loan Agreement, at or prior to closing of the Series 2014 Bonds, the Issuer and the Borrower executed and delivered the First Amendment to Loan Agreement and at or prior to closing of the Series 2017 Bonds, the Issuer and the Borrower will execute and deliver the Second Amendment to Loan Agreement. The following is a summary of certain provisions of the Loan Agreement which is qualified in its entirety by reference to the Loan Agreement. See "ENFORCEABILITY OF OBLIGATIONS" herein.

Loan and Loan Repayments

Under the Loan Agreement, the Issuer will lend to the Borrower the gross proceeds of the sale of the Bonds to the Original Purchaser. From the proceeds of the Bonds, certain capitalized interest will be deposited into the Bond Fund, and certain amounts will be deposited in the Reserve Fund. The balance of the proceeds will be deposited in the Project Fund, to be applied by the Trustee to the payment of Project Costs, as further provided in the Loan Agreement and the Indenture.

In consideration of the Loan, the Borrower agrees to make monthly Loan Repayments sufficient in amount to pay all principal of, premium, if any, and interest on the Bonds when due. The Borrower also agrees to pay the amount of any rebate payments required to be made under Section 148(f) of the Code in respect of the Bonds, the fees and expenses of the Trustee and Bond Registrar and all reasonable fees and expenses of the Issuer incurred in connection with the Bonds.

The obligation of the Borrower to make the Loan Repayments required under the Loan Agreement is to be absolute and unconditional regardless of: (i) any defense, set-off, recoupment or counterclaim which the Borrower may have or assert against the Issuer, the Trustee, any owner of a Bond or any other person; (ii) any failure of the Issuer to perform any covenant or agreement contained in any agreement between the Issuer and the Borrower; (iii) any indebtedness or liability at any time owing to the Borrower by the Issuer, the Trustee, any owner of a Bond or any other person; (iv) any acts or circumstances that may constitute failure of consideration; (v) damage to or condemnation of the Project Facilities; (vi) failure or delay in completion of the Project; (vii) eviction by paramount title; (viii) commercial frustration of purpose; (ix) bankruptcy or insolvency of the Issuer or Trustee (x) change in tax or other laws; (xi) foreclosure of the Mortgage; or (xii) any failure of the Issuer or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation, arising out of or connected with the Loan Agreement, the Mortgage or the Indenture.

Project Fund

The Project Fund has been established by the Trustee from certain proceeds of the Bonds and other funds in order to provide for the payment in full of all Project Costs of the Project Facilities. Any amounts required to complete the payment of all Project Costs, including amounts required to provide for payment of the costs of issuance of the Bonds, in excess of the Bond proceeds available therefor, are required to be furnished by the Borrower from sources other than the proceeds of the Bonds.

Ownership, Operation and Insurance

The Borrower agrees to use the Project Facilities only in furtherance of its lawful purposes and as required by the Act and to comply with applicable government regulations.

The Borrower further agrees that it intends not to dispose of or lease the Project Facilities, other than to lease units to residents in the ordinary course of business, so long as the Bonds are outstanding; provided, however, that the Borrower may sell or lease all or any part of the Project Facilities to a governmental unit or an organization described in Section 501(c)(3) of the Code or enter into an agreement for the management or use of the Project Facilities so long as (i) no such sale, lease or agreement shall be inconsistent with the provisions of the Bond Documents or the Act; (ii) the Borrower shall remain fully obligated under the Loan Agreement and the Mortgage; or (iii) any purchaser shall assume all of the obligations of the Borrower under the Bond Documents to which it is a party; and (iv) the Trustee shall have been furnished with an opinion of Bond Counsel to the effect that interest on the Bonds shall not be included in from gross income for federal income tax purposes as a result thereof.

The Borrower agrees to pay or cause to be paid all taxes, special assessments and other charges against the Project Facilities; provided that the Borrower has the right to contest by appropriate proceedings

any such taxes, assessments and charges. The Borrower agrees to maintain the Project Facilities in good repair, except for losses covered by insurance, ordinary wear and tear, obsolescence, and acts of God, and free of labor and materialmen's liens, subject to the Borrower's right of contest.

The Borrower agrees to maintain certain fire and extended coverage insurance on the Project Facilities in an amount equal to the full insurable replacement value thereof, with a permitted deductible amount of $100,000 unless the Borrower provides the Trustee a letter of an insurance consultant reasonably acceptable to the Trustee that a larger deductible amount is prudent and recommended. The Borrower agrees to maintain public liability insurance covering certain injuries and damage in connection with the Project Facilities in the amount of $2,000,000 per occurrence and per year, and to maintain required worker's compensation coverage. The Borrower agrees to maintain business interruption insurance with limits equal to at least the sum of 12 months operating expenses of the Project Facilities, plus the maximum amount of principal and interest payable on the Outstanding Bonds in the current or any future calendar year.

Damage or Destruction; Condemnation

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

In the event the Project Facilities or any portion thereof is damaged or destroyed by fire or other casualty and the damage or destruction is estimated to exceed $1,000,000, then the Borrower shall within 90 days after such damage or destruction elect either to repair, reconstruct and restore the damaged or destroyed Project Facilities or to cause the Bonds to be redeemed in whole, in accordance with the relevant provisions of the Indenture, at a redemption price equal to par, plus accrued interest, but without prepayment premium or penalty.

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

In the event of any such condemnation or taking, the Borrower shall, within 90 days after the date on which the Net Proceeds are finally determined, elect either to use the Net Proceeds for additions, repairs and improvements to the Project Facilities, or to cause the Bonds to be redeemed in whole, in accordance with the relevant provisions of the Indenture, at a redemption price equal to par, plus accrued interest, but without prepayment premium or penalty.

Maintenance of Existence

The Borrower agrees that, so long as the Bonds are outstanding, it and the Sole Member each will maintain its existence as a limited liability company or a nonprofit corporation, as applicable, under the laws of Minnesota; will not dissolve or otherwise dispose of all or substantially all of its assets; and will not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, that the Borrower may, without violating the agreement contained in this Section, consolidate with or merge into another institution, or permit one or more other of such institutions to consolidate with or

merge into it, or sell or otherwise transfer to another such institution all or substantially all of its assets as an entirety and thereafter dissolve upon satisfaction of the following conditions: (i) if the surviving, resulting or transferee institution, as the case may be, is other than the Borrower, such surviving, resulting or transferee institution shall assume in writing all of the obligations of the Borrower in the Loan Agreement and the Mortgage, and shall be either a non-profit corporation and an organization described in Section 501(c)(3) of the Code or a governmental unit; (ii) the surviving, resulting or transferee institution must meet the requirements of the Loan Agreement for the incurrence of at least $1.00 of additional parity debt, immediately after such consolidation, merger or transfer; and (iii) the Borrower shall furnish to the Trustee an opinion of Bond Counsel, to the effect that such consolidation, merger or transfer shall have no adverse effect on the excludability of the interest on the Bonds from gross income under Sections 103 and 145 and related Sections of the Code and regulations thereunder.

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

Transactions with Other Persons; Subordination of Management Fee

The Borrower shall not make any fund or property transfers to any Person other than at fair market value except as described in "Maintenance of Existence" above, except to the extent necessary or desirable in order to maintain or continue the status of the Borrower as an organization described in Section 501(c)(3) of the Code, and except as described under this heading. The Borrower shall be permitted to transfer funds or assets to any Affiliate or other Person, without consideration, if the Borrower's Net Revenues Available for Debt Service for the immediately preceding Fiscal Year were not less than 150% of the Total Principal and Interest Requirements for such Fiscal Year and, after such transfer, the Borrower will have not less than 60 Days Cash on Hand.

The Borrower agrees that management fees paid to an Affiliate will not exceed 3% of Gross Revenues unless all Loan Repayments and all additional amounts due pursuant to the Loan Agreement have been paid when due, and the balance on deposit in the Reserve Fund is not less than the Reserve Requirement.

Rate and Liquidity Covenants

Commencing with the Fiscal Year ending in 2014, the Borrower will prescribe and charge such rents, fees and other charges relating to its properties and will restrict operating and maintenance expenses relating to its properties as is necessary to achieve a 115% Debt Coverage Ratio.

On or before the 120th day after the end of each Fiscal Year, commencing with the Fiscal Year ending in 2014 (the "Report Date") the Borrower will submit to the Trustee a report evidencing its compliance or noncompliance with the 115% Debt Coverage Ratio, determined on the basis of the Borrower's audited financial statements or consolidating schedule for such Fiscal Year.

Commencing with the Fiscal Year ending in 2014, the Borrower shall, as of 120 days after the end of each Fiscal Year, furnish to the Trustee and the Original Purchaser, evidence that it has maintained the Liquidity Requirement for the prior Fiscal Year, subject to the qualification that if applicable state or federal laws or regulations, or the rules and regulations of agencies having jurisdiction, shall not permit the Borrower to maintain the Liquidity Requirement, then the Borrower shall maintain its Cash and Liquid Investments at the highest permissible level.

If the Borrower fails to achieve either the 115% Debt Coverage Ratio or the Liquidity Requirement, then the Borrower shall employ as soon as practicable after the Report Date a Management Consultant to submit a written report and recommendations with respect to the rents, fees, rates and other charges relating to the Project Facilities and with respect to improvements or changes in the operation and management of the

Project Facilities. A copy of such report shall be submitted to the Trustee as soon as practicable but in no event later than 90 days after the Report Date. The Borrower shall revise or cause to be revised such rents, fees, rates and other charges in conformity with any recommendations of the Management Consultant and shall otherwise follow the recommendation of the Management Consultant to the extent that the Borrower believes the recommendations to be reasonable and to the extent that such recommendations are consistent with the Borrower's status as an organization described in Section 501(c)(3) of the Code, or as otherwise permitted by law. If the Borrower complies with the foregoing provisions, as long as the Debt Coverage Ratio is at least 100%, failure to comply with the Debt Coverage Ratio requirement or the Liquidity Requirement shall not constitute an Event of Default under the Loan Agreement. Notwithstanding any other provision of the Loan Agreement, an Event of Default shall only have been deemed to occur under the Loan Agreement if (i) the Debt Coverage Ratio falls below 100%, or (ii) the Borrower fails to comply with the recommendations of the Management Consultant, to the extent that such recommendations are consistent with the Borrower's status as an organization described in Section 501(c)(3) of the Code, or as otherwise permitted by law.

For purposes of this covenant, Debt Coverage Ratio means Net Revenues Available for Debt Service of the Borrower for a Fiscal Year divided by the Total Principal and Interest Requirements for such Fiscal Year; provided that, with respect to any facilities or improvements subsequently constructed by the Borrower and financed by Long Term Debt, the interest on such Long Term Debt shall be disregarded in making the calculation of Debt Coverage Ratio until the first Fiscal Year that commences at least one year after the date such facilities or improvements are placed into operation.

For purposes of this covenant, Management Consultant means any nationally or regionally recognized firm of public accountants or healthcare specialists possessing management consulting experience with respect to skilled nursing facilities, senior housing and assisted living facilities, such as the Project Facilities, which is Independent and approved by the Borrower.

Additional Indebtedness

The Borrower may incur additional Long Term Debt for purposes of (a) completing the Project, (b) additional improvements to the Project Facilities, (c) construction of additional facilities on the Land or contiguous land, (d) refunding of outstanding Long Term Debt, provided that the Borrower shall furnish the Trustee either:

(A) a written report or opinion of an Independent Accountant stating that the Net Revenues Available for Debt Service of the Borrower for each of the last 2 Audited Fiscal Years preceding the date on which the proposed Long Term Debt is to be incurred were more than 120% of the maximum Total Principal and Interest Requirements (including such requirements for the proposed Long Term Debt but excluding such requirements for any then outstanding Long Term Debt to be refinanced by the proposed Long Term Debt) for any Fiscal Year beginning after the Fiscal Year in which the proposed Long Term Debt is to be incurred but before the final stated maturity of all then outstanding Long Term Debt; or

(B) a financial forecast prepared by an Independent Accountant stating that the estimated Net Revenues Available for Debt Service of the Borrower for each of the 3 consecutive Fiscal Years beginning after the Fiscal Year in which any improvements being financed by such Long Term Debt are to be placed in service or after funded interest relating to such Long Term Debt has been expended, or, if no improvements are to be financed thereby, after the Fiscal Year in which the proposed Long Term Debt is to be incurred, will be not less than 130% of the maximum Total Principal and Interest Requirements (including such requirements for the proposed Long Term Debt but excluding such requirements for any then outstanding Long Term Debt to be refinanced by the proposed Long Term Debt) for any Fiscal Year beginning after the Fiscal Year in which any improvements being financed by such Long Term Debt are to be place in service or after funded interest relating to such Long Term Debt has been expended, or, if no improvements are to be financed thereby, after the Fiscal Year in which the proposed Long Term Debt is to be incurred, but before the final stated maturity of all then outstanding Long Term Debt.

Any such Long Term Debt shall not be secured by a lien on the Project Facilities superior to the lien of the Mortgage, but may be secured by a lien on the Project Facilities on parity with the lien of the Mortgage, provided that if such debt is incurred to finance improvements on contiguous land, the Mortgage has been amended to include a lien on such contiguous land, and provided further that prior to incurring any such parity Long Term Debt, the Borrower shall provide the Trustee with a copy of the proposed loan agreement, credit agreement or similar debt instrument pursuant to which the proposed indebtedness will be incurred and a proposed intercreditor agreement in such form as in the reasonable judgment of the Trustee, in reliance on an opinion of counsel, is necessary or appropriate to preserve and protect the rights of the Trustee and Bondholders.

The Borrower may incur additional, unsecured Long Term Debt for any purpose if payment of debt service on such additional Long Term Debt is expressly made subordinate to payment of debt service on the Bonds. Prior to incurring any such subordinated Long Term Debt, the Borrower shall provide the Trustee with a copy of the proposed loan agreement, credit agreement or similar debt instrument pursuant to which the subordinated indebtedness will be incurred and shall take such action as in the reasonable judgment of the Trustee is necessary or appropriate to effectuate the subordination.

The Borrower will not guarantee indebtedness or obligations of any Person other than endorsement of checks in the ordinary course of business.

Calculation of Debt Service

The calculation of Principal and Interest Requirements and Total Principal and Interest Requirements pursuant to the Loan Agreement and Indenture, shall be made in a manner consistent with the following:

With respect to Balloon Indebtedness, as hereafter defined, such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an amortization period equal to the actual term thereof, at the interest rate specified therein (including for future periods after any mandatory rate adjustment, the capped rate), provided that Balloon Indebtedness in an outstanding amount of not more than $5,000,000 may be assumed to be amortized over the amortization period on which it is based, notwithstanding any requirement to redeem, prepay, purchase or otherwise pay principal in an increased amount prior to the end of such amortization period.

Balloon Indebtedness means Long Term Indebtedness 25% or more of the original principal amount of which (A) is due in any 12-month period or (B) may, at the option of the holder thereof, be required to be redeemed, prepaid, or purchased directly or indirectly by the Borrower or otherwise paid in any 12-month period; provided, that, in calculating the principal amount of such Balloon Indebtedness due or required to be redeemed, prepaid, purchased or otherwise paid in any 12-month period, such principal amount shall be reduced to the extent that all or any portion of such amount is required to be amortized prior to such 12-month period. Balloon Indebtedness shall not include Long Term Indebtedness with substantially equal annual installments of principal or substantially equal annual installments of principal and interest.

Except as otherwise provided above with respect to Balloon Indebtedness which is also Variable Rate Indebtedness, as hereinafter defined, in determining the amount of debt service payable on Variable Rate Indebtedness for any future period, interest on such indebtedness for any period of calculation (the "Determination Period") shall be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average annual rate of interest on similar securities (calculated in the manner in which the rate of interest for the Determination Period is to be calculated) which was in effect for the twenty four month period prior to a date selected by the Borrower plus 2%, which selected date is within 45 days immediately preceding the beginning of the Determination Period, as certified by a banking or investment banking institution knowledgeable in matters of variable rate financing or, if it is not possible to calculate such average annual rate of interest, by assuming that the rate of interest applicable to the Determination Period is equal to the rate of interest then in effect on such Variable Rate Indebtedness. In

addition, debt service shall include any continuing credit enhancement, liquidity and/or remarketing fees for the relevant period.

Variable Rate Indebtedness means any portion of Long Term Indebtedness the interest rate on which varies periodically such that the interest rate at a future date cannot accurately be calculated.

Financial Statements

The Borrower agrees to furnish to the Trustee and the Trustee, EMMA and the Original Purchaser by no later than 120 days after the close of each Fiscal Year of the Borrower during the term of the Loan Agreement, a copy of the annual audited financial statements of the Borrower, including a balance sheet and operating statements, audited by an Independent certified public accountant. By no later than 45 days after the last day of each quarter of the Fiscal Year, the Borrower agrees to furnish quarterly, unaudited financial statements to the Trustee, EMMA and the Original Purchaser.

Annual Budget

Prior to the commencement of each Fiscal Year, the Borrower agrees to prepare and submit to the Trustee, the Original Purchaser and EMMA, a budget for the Fiscal Year (the "Budget"), reflecting the Borrower's best estimates of all revenues and expenditures of any nature related to the Project or amounts held by the Trustee reasonably anticipated for the year, including reasonable detail as to various categories of such revenues and expenditures.

Rating Application

The Borrower covenants that it will seek a rating of the Bonds from any rating agency each year after a determination is made by the Borrower in consultation with the Underwriter or other such qualified entity that an investment grade rating for the Bonds is reasonably attainable, until achievement of an investment grade rating, provided that if during any such year the Borrower receives a preliminary indication from any rating agency that the Bonds will not be assigned an investment grade rating, the Borrower may withdraw its rating request for such year.

Events of Default

The following events constitute Events of Default under the Loan Agreement:

(a) Failure to pay any Loan Repayments, if the Trustee shall have been unable to make good the deficiency caused by such failure by a permitted transfer of funds from the Reserve Fund or if the Reserve Fund would be reduced to an amount less than $50,000 as provided in Section 5.03 of the Indenture, and, as a result thereof, the principal of, premium, if any, or interest on any Bond shall not be paid when due; or

(b) Failure to make a monthly payment in replenishing the Reserve Fund as and to the extent required by Section 5.05 of the Indenture and such Default shall have continued for a period of 3 days after written notice, specifying such Default and requiring the same to be remedied, shall have been given to the Borrower by the Issuer or Trustee; or

(c) Default in the due and punctual performance of any of the covenants, conditions, agreements or provisions of the Loan Agreement, which continues for a period of 30 days after written notice by the Issuer or Trustee to remedy the same; or

(d) Any representation or warranty of the Borrower in the Loan Agreement shall prove to be false or misleading in any material respect; or

(e) The occurrence of an event of default under the Bond Documents (except to the extent such default is otherwise addressed in the Loan Agreement which shall govern); or

(f) If the Borrower files a petition in voluntary bankruptcy, for the composition of its affairs or for its reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of its property; or

(g) If an order, judgment or decree is entered and not vacated or set aside or stayed within sixty (60) days from the date of entry thereof, declaring the Borrower an insolvent, or adjudging the Borrower bankrupt, or appointing a trustee or receiver of the Borrower or of the whole or any substantial part of the property of the Borrower under any applicable law or statute of the United States of America or any State thereof, or

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

The default described in (c) does not become an Event of Default so long as the default relates to payments (other than Loan Repayments or the Issuer's administrative fees) due the Issuer or the Trustee, or so long as force majeure (as defined) prevails or if the default can be remedied but not within 30 days and the Borrower is diligently proceeding to remedy the default.

Remedies on Default

If an Event of Default by the Borrower occurs, the Trustee may accelerate the due date of all Loan Repayments, foreclose the Mortgage and take whatever action in law or equity which appears necessary or desirable to enforce the Loan Agreement, the Mortgage, the Guaranty, or the Indenture. In any event of default, among other things, the Borrower agrees to pay attorneys' fees and expenses.

THE MORTGAGE

At or prior to the closing of the Series 2011 Bonds, the Borrower and the Issuer, executed and delivered the Mortgage securing the Bonds, and at or prior to the closing of the Series 2014 Bonds, the Borrower executed and delivered the First Amendment to Mortgage. At or prior to the closing of the Series 2017 Bonds, the Borrower will execute and deliver the Second Amendment to Mortgage. The following is a summary of certain provisions of the Mortgage, which is qualified in its entirety by reference to the Mortgage. See "ENFORCEABILITY OF OBLIGATIONS" herein.

Under the Mortgage, in order to secure its obligations under the Loan Agreement, including the payment of Loan Repayments in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the Borrower grants to the Issuer, a security interest in certain equipment and a first mortgage lien, subject to Permitted Encumbrances, on its right, title and interest in and to the Land and Project Buildings. The Issuer is also granted a security interest in all of the rents, condemnation awards, insurance proceeds and similar revenues and income arising from the ownership of the Project Facilities (to the extent the same may be perfected). The Issuer will assign its interest in the Mortgage to the Trustee as security for the Bonds.

Pursuant to the Loan Agreement, the Borrower may remove Project Equipment from the Project Building, and have such Project Equipment removed from the lien of the Mortgage, upon the following conditions:

(a) the Borrower may substitute Project Equipment and related property for any such Project Equipment, provided that the effect of such substitution shall not be to impair the character or revenue producing significance of the Project Facilities, and such substituted property shall be subject to the lien of the Mortgage in place of the replaced equipment; and

(b) the Borrower shall have the privilege of removing Project Equipment without substitution therefor, provided that the Project Equipment so removed is obsolete, or, alternatively, the Borrower pays a sum equal to the then current value of such Project Equipment to the Trustee, and provided that such removal does not impair the character or revenue producing significance of the Project Facilities.

Pursuant to the Loan Agreement, the Borrower shall have the right, at any time and from time to time, to a release of any portion of the Land from the Mortgage, but only as follows:

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

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

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

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

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

(D) No Default exists under the Loan Agreement and

(E) All conditions precedent in the Loan Agreement provided for relating to such release have been complied with;

(ii) An ALTA survey prepared by a registered land surveyor describing and showing the Land, after giving effect to such release and showing that the Land does not contain any permanent structure necessary for the total operating unity and efficiency of the Project Facilities;

(iii) An opinion of Bond Counsel to the effect that the proposed release of the Land will not cause any interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes; and

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

Included in the Mortgage is an assignment of all leases and rents relating to the Project Buildings, as further security for the Bonds. Upon an Event of Default by the Borrower under the Loan Agreement, the Trustee is authorized to exercise its remedies in connection with such assignment. All leases and rents with respect to the Project Buildings are collaterally assigned under the Mortgage. See "ENFORCEABILITY OF OBLIGATIONS."

THE INDENTURE

At or prior to closing, the Issuer and the Trustee will execute and deliver the Second Supplemental Indenture. The following is a summary of certain provisions of the Indenture, which is qualified in its entirety by reference to the Indenture, as amended. See "ENFORCEABILITY OF OBLIGATIONS" herein.

Pledge and Security; Bond Proceeds

In the Granting Clauses, the Issuer has assigned to the Trustee the Loan Repayments under the Loan Agreement and pledged to the Trustee the Issuer's interest in the Loan Agreement (except certain rights of the Issuer relating to fees, expenses, indemnity and advances). Under the Indenture and corresponding provisions of the Loan Agreement, the accrued interest, if any, received on the sale of the Bonds is to be deposited into the Bond Fund, proceeds of the Bonds and Borrower funds in an amount sufficient for the payment of costs of issuance of the Bonds are to be deposited in the Costs of Issuance Account, and the remaining Bond proceeds are to be deposited into the Refunding Fund

Refunding Fund

On the Closing Date, there shall be deposited to the credit of the Refunding Fund proceeds of the Bonds in an amount which, together with amounts on deposit in the Reserve Fund in excess of the Reserve Requirement after giving effect to the issuance of the Series 2017 Bonds and the defeasance of the Series 2011 Bonds, shall be invested in accordance with the Escrow Agreement, and applied to the defeasance and redemption of the Series 2011 Bonds.

Reserve Fund

The Reserve Fund will be funded in the amount of the Reserve Requirement. Amounts in the Reserve Fund are to be used to restore any deficiency in the Bond Fund on any interest payment date for the Bonds and, if not needed prior thereto, are to be used to reduce the Loan Repayments to be made by the Borrower with respect to the final maturity of the Bonds. The Borrower agrees pursuant to the Loan Agreement to maintain the Reserve Fund in an amount equal to the Reserve Requirement, subject to the provisions of the following paragraphs.

Notwithstanding any other provision of the Indenture or the Loan Agreement to the contrary, in the event of a failure by the Borrower to make Loan Repayments in the amounts or at times required under Section 4.02(a) or (b) of the Loan Agreement, the Trustee shall before any Interest Payment Date transfer from the Reserve Fund any amount required to make good the deficiency and, so long as the balance remaining to the credit of the Reserve Fund thereafter is not less than $50,000, such transfer shall not result in an Event of Default under the Indenture or under the Loan Agreement; provided, however, that such amounts transferred from the Reserve Fund are restored to the Reserve Fund by the Borrower making Loan Repayments pursuant to Section 4.02(e) of the Loan Agreement in 6 equal monthly installments, each such installment being in an amount equal to 1/6 of the amount transferred, and the first such installment being due on the first day of the month following such transfer from the Reserve Fund; provided further that if a transfer of Reserve Fund moneys to the Bond Fund pursuant to a determination that such moneys exceed the Reserve Requirement and are sufficient to pay when due principal of an interest on all outstanding Bonds results in the Reserve Fund balance falling below the Reserve Requirement on the date of a subsequent valuation, investment earnings shall be retained in the Reserve Fund until the Reserve Requirement is met and the Borrower shall have no

obligation to make Loan Repayments pursuant to Section 4.02(e) of the Loan Agreement. The Borrower is not obligated to restore the Reserve Fund for investment losses so long as the Reserve Fund is invested in Qualified Investments.

If the balance in the Reserve Fund exceeds the Reserve Requirement, investment earnings shall be transferred to the Bond Fund.

Repair and Replacement Fund

Pursuant to the Loan Agreement, there shall be deposited monthly into the Repair and Replacement Fund, commencing January 15, 2016, $1,230 per month. On November 15, 2019, the Borrower will begin depositing an additional $1,855 monthly. Such contributions shall continue until the balance in the Repair and Replacement Fund equals $400,000, and shall recommence at any time the balance therein falls below $400,000. Investment earnings on the Repair and Replacement Fund shall remain therein and be used for the purposes for which the fund was created. Monies in the Repair and Replacement Fund shall be disbursed by the Trustee to and at the written request of the Borrower in accordance with the provisions of Section 5.12 of the Loan Agreement to pay for capitalizable expenses attributable to the cost of renewals, replacements, repairs or extensions to the Housing Facility and the 2014 Project. No disbursements shall be made from the Repair and Replacement Fund by the Trustee unless certain reports have been filed as required by Section 6.03 of the Loan Agreement.

Other Funds and Investments

Under the Indenture, the following Funds (in addition to the Reserve Fund, the Repair and Replacement Fund and the Project Fund) are established: the Bond Fund and the Optional Redemption Fund.

All regular Loan Repayments made by the Borrower will be deposited in the Bond Fund and applied to payment of principal of, premium (if any) and interest on the Bonds when due.

Amounts in the Optional Redemption Fund are to be used to pay the redemption price when due with respect to Bonds called for optional redemption, and may be used at the direction of the Authorized Borrower Representative for the purchase of Bonds on the open market.

Investment earnings on the Bond Fund and Optional Redemption Fund are to remain in said Funds. Except as otherwise described under the headings "Reserve Fund" and "Project Fund" above, amounts on deposit in any Fund may be invested in certain investments described under the heading "Permitted Investments" below, at the direction of the Authorized Borrower Representative.

Permitted Investments

To the extent authorized by the Act, moneys on deposit to the credit of any Fund or Account maintained by the Trustee under the Indenture shall, upon request by the Authorized Borrower Representative, be invested by the Trustee in (i) direct obligations of or obligations fully guaranteed by the United States of America, (ii) deposits in interest-bearing time deposits or certificates of deposit or similar arrangements, including repurchase agreements, secured by obligations described in (i) hereof which are in the possession of the Trustee or its agent and with respect to which the Trustee has a valid and perfected security interest free and clear of prior claims of third parties; (iii) obligations issued by any federal agency to the extent that such obligations are either guaranteed by or are direct obligations of the United States of America (other than as provided in (i)) and bonds, debentures, participation certificates or notes issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export-Import Bank of the United States, Farmer's Home Administration or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to

an Act of the Congress of the United States as an agency or instrumentality thereof; (iv) deposits in interest-bearing time deposits or certificates of deposit or similar arrangements (without regard to whether such deposits or arrangements are insured by the Federal Deposit Insurance Corporation) of any lead bank of a bank holding company which has at least an A-1 or prime-one rating or their equivalents from S&P or Moody's, or their successors, or certificates of deposit of any national bank if the amount thereof is fully insured by the FDIC, (v) fixed income securities of any corporation organized and existing under the laws of any state of the United States of America or the District of Columbia which are rated not less than AA/Aa by S&P or Moody's, or their successors; (vi) commercial paper or finance company paper of an issuer which is rated not less than A-1 or prime one or their equivalents by S&P or Moody's, or their successors, and whose obligations have at least an AA/Aa rating from S&P or Moody's, or their successors; (vii) a common trust fund or similar fund maintained by the Trustee exclusively for the collective investment and reinvestment of moneys contributed thereto by the Trustee in its capacity as trustee and whose only investments are in securities described herein; (viii) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and whose only assets consist of obligations described in (i) through (vi) above; (ix) an investment agreement (whether or not collateralized) issued by any financial institution maintaining at least an A rating from S&P or Moody's, or their successors; (x) money market mutual funds; (xi) direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed by, any state of the United States of America or any political subdivision or agency thereof that are rated at least A3 by Moody's or A- by S&P; and (xii) repurchase agreements with providers rated A3 or better by Moody's or A- or better by S&P with securities listed in (i) through (vi) above (collectively, "Qualified Investments"). Investments may be purchased through or from the Trustee or from any of its affiliates. Investments so made shall be deemed at all times to be a part of the respective Fund, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such Fund. Any investments purchased with amounts on deposit in any Fund under the Indenture may be exchanged for cash or investments of equal value credited to any other Fund. The Trustee shall redeem or sell, at fair market value, any investments so made, whenever it shall be necessary to do so in order to provide moneys to meet any payment from the respective Fund. Neither the Trustee nor the Issuer shall be liable for any loss resulting from any such investment, nor from failure to preserve rights against endorsers or other prior parties to instruments evidencing any such investment. Investment of funds shall be limited as to amount and yield of investment in such manner that no part of the outstanding Bonds shall be deemed "arbitrage bonds" under Section 148 of the Code and regulations thereunder.

Additional Bonds

Additional Bonds may be issued under the Indenture for purposes of (a) completing the Project, (b) additional improvements to the Project Facilities, (c) construction of additional facilities on the Land or contiguous land, or (d) refunding the Bonds or any series of Bonds, provided that the following conditions are satisfied: (i) such Additional Bonds will be secured under the Indenture (or a supplemental indenture thereto) and by the Mortgage on a parity basis with the Series 2011 Bonds and the Series 2014 Bonds; (ii) an opinion of Bond Counsel shall be issued to the effect that the issuance of such Additional Bonds shall not impair the tax exempt status of the Tax-Exempt Series 2011 Bonds and the Series 2014 Bonds; (iii) the Reserve Requirement is increased to provide for the Additional Bonds; (iv) no Event of Default shall exist and be continuing; and (v) the Borrower shall furnish the Trustee either:

(A) a written report or opinion of an Independent Accountant stating that the Net Revenues Available for Debt Service of the Borrower for each of the last 2 Audited Fiscal Years preceding the date on which the proposed Additional Bonds are to be issued were more than 120% of the maximum Total Principal and Interest Requirements (including such requirements for the proposed Additional Bonds but excluding such requirements for any then outstanding Bonds to be refinanced by the proposed Additional Bonds) for any Fiscal Year beginning after the Fiscal Year in which the proposed Additional Bonds are to be issued but before the final stated maturity of all then Outstanding Bonds; or

(B) a financial forecast prepared by an Independent Accountant stating that the estimated Net Revenues Available for Debt Service of the Borrower for each of the 3 consecutive Fiscal Years beginning after the Fiscal Year in which any improvements being financed by such Additional Bonds are to be placed in service or after funded interest relating to such Additional Bonds has been expended, or if no improvements are to be financed thereby, after the Fiscal Year in which the proposed Additional Bonds will be issued, will be not less than 130% of the maximum Total Principal and Interest Requirements (including such requirements for the proposed Additional Bonds but excluding such requirements for any then outstanding Additional Bonds or Bonds to be refinanced by the proposed Additional Bonds) for any Fiscal Year beginning after the Fiscal Year in which such Additional Bonds are to be issued, but before the final stated maturity of all then Outstanding Bonds.

Covenants of the Issuer

The Issuer covenants and agrees to pay from Loan Repayments required to be made by the Borrower the principal of and interest on the Bonds, to maintain at the office of the Trustee an office or agency for payment of the Bonds, and to observe those and all other covenants and terms set forth in the Indenture and Bonds. Under the Act, however, and in the Indenture, it is agreed that the Issuer has no obligation to make any advance or payment or incur any expense or liability in performing any of the conditions, covenants or requirements of the Indenture from any funds other than moneys provided by the Borrower or Bond proceeds, and the Issuer shall incur no liability for failure to perform any such conditions, covenants and requirements for lack of funds.

Discharge of Lien

As more fully set forth in the Indenture, the lien of the Indenture shall be discharged if the Borrower shall:

(a) pay or cause to be paid the principal of, premium, if any, and interest on the Bonds at the time and in the manner stipulated in the Loan Agreement and the Indenture; or

(b) provide for the payment of principal and premium, if any, of the Bonds and interest thereon by depositing with the Trustee at or at any time before maturity, cash or direct obligations of or obligations the principal of and interest on which is fully guaranteed by the United States of America in amounts sufficient to pay the entire amount due or to become due thereon for principal, premium, if any, and interest to maturity of all the outstanding Bonds; or

(c) provide for the redemption of the Bonds by depositing with the Trustee the entire amount of the redemption price, including accrued interest, and premium, if any, either in cash or direct obligations of or obligations the principal of and interest on which is fully guaranteed by the United States of America in amounts sufficient to pay the entire amount of principal, premium, if any, and interest to become due on the redemption date; or

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided.

Events of Default

Each of the following constitute an Event of Default under the Indenture:

(a) If payment of the principal of or premium on any of the Bonds, when the same shall become due and payable, whether at maturity or by proceedings for redemption or acceleration or otherwise, shall not be made; or

(b) If payment of any interest on the Bonds, when the same shall become due and payable, shall not be made; or

(c) If either Issuer shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Indenture and such default shall have continued for a period of 60 days after written notice by the Trustee to the Issuer and Borrower or if such notice us given to the Trustee, Issuer or Borrower by the Beneficial Owners of not less than a majority in principal amount of the Bonds then outstanding; or

(d) If any Event of Default on the part of the Borrower as that term is defined in the Loan Agreement shall occur and be continuing.

Remedies on Default

Upon occurrence of an Event of Default, as defined, the Trustee may, and upon written request of the Beneficial Owners of not less than a majority in aggregate principal amount of Bonds outstanding hereunder shall, by notice in writing delivered to the Issuer declare the principal the principal of all Bonds hereby secured then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however to the right of the Holders of a majority in aggregate principal amount of outstanding Bonds, by written notice to the Issuer and the Trustee, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding hereunder and the reasonable expenses and charges of the Trustee, its agent and attorneys, and all other indebtedness secured hereby (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture; however, the Trustee and the Issuer may make advances, and charge interest thereon. The Trustee has a first lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees, and including interest on advances, as described above. The responsibilities of the Trustee prior to an Event of Default are limited to those set forth in express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Issuer and the Borrower to the same extent as if it were not Trustee. Provision is made for the addition of an individual co-trustee if necessary or convenient and for succession or replacement of the Trustee by another corporate Trustee with a minimum capital and surplus of $10,000,000, in the event of merger, resignation or removal by Holders of a majority in aggregate principal amount of outstanding Bonds, or, in the event of disability, by the Issuer or a court.

Amendments

Provisions are made for technical amendments of the Loan Agreement, the Mortgage and the Indenture with the consent of the Trustee and in other cases with the consent of the Holders of a majority in aggregate principal amount of the outstanding Bonds, provided that the Loan Repayments cannot be reduced without the consent of all Bondholders. Bondholder approval or action may be given in writing or at a meeting.

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APPENDIX D

FORM OF BOND COUNSEL OPINION

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Faegre Baker Daniels LLP
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Phone **+1 612 766 7000**
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_____, 2017

City of Anoka
Anoka, Minnesota

Re: $_____ City of Anoka, Minnesota Housing Revenue Refunding Bonds (The Homestead at Anoka, Inc. Project), Series 2017

Ladies and Gentlemen:

We have acted as bond counsel to City of Anoka, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its Housing Revenue Refunding Bonds (The Homestead at Anoka, Inc. Project), Series 2017, dated _____, 2017, in the aggregate principal amount of $_____ (the "Bonds"). The Bonds mature, bear interest and are subject to redemption as provided in the Indenture hereinafter defined. The Bonds are issued for the purpose of funding a loan from the Issuer to The Homestead at Anoka, Inc. (the "Borrower") to (a) refund certain bonds previously issued by the Issuer to finance the costs of acquisition and construction of a health care facility and senior housing facility owned by the Borrower; and (b) pay certain expenses incurred in connection with the issuance of the Bonds.

We have examined a form of the Bonds and (i) an executed counterpart of the Trust Indenture, dated as of November 1, 2011, as supplemented by the First Supplemental Trust Indenture dated as of December 1, 2014 and the Second Supplemental Trust Indenture dated as of February 1, 2017 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee for the Bonds (the "Trustee"); (ii) an executed counterpart of the Loan Agreement, dated as of November 1, 2011 and amended by the First Amendment to Loan Agreement, dated as of December 1, 2014 and the Second Amendment to Loan Agreement, dated as of February 1, 2017 (the "Loan Agreement"), between the Issuer and the Borrower; (iii) a certified copy of a resolution of the governing body of the Issuer approving and authorizing the execution and delivery of the Bonds and the above-referenced documents and items; and (iv) such other documents as we deem necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon such certified proceedings, documents and certifications furnished to us without undertaking to verify such facts by independent investigation.

We have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement dated February ____, 2017, or other offering material relating to the Bonds, and we express no opinion relating thereto.

Based on our examination, and assuming the genuineness of the signatures thereon and the accuracy of the facts stated therein, we are of the opinion, as of the date hereof, as follows:

1. The Issuer is a municipal corporation and political subdivision under the laws of the State of Minnesota. The Issuer is authorized under Minnesota Statutes, Chapter 462C to issue the Bonds and to apply the proceeds derived from the sale of the Bonds for the purposes set forth in the Indenture.

2. The Indenture and the Loan Agreement have been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery by the Trustee and the Borrower, respectively, represent the valid and binding agreements of the Issuer enforceable against the Issuer in accordance with their terms.

3. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special, limited obligations of the Issuer. By the Indenture, the Issuer has validly pledged and assigned to the Trustee and granted to the Trustee a security interest in all of its rights and interest in the Loan Agreement (except for certain rights of the Issuer to payment of fees, indemnification, and reimbursement of expenses), including payments that the Borrower is required to make under the Loan Agreement in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable; provided, however, we express no opinion as to the priority of such pledge, assignment, and security interest, or its effect against third parties.

4. Interest on the Bonds is not includable in gross income for purposes of federal income taxation, is not includable in taxable net income of individuals, estates or trusts for purposes of State of Minnesota income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings, and interest on the Bonds is subject to the State of Minnesota franchise tax measured by net income and imposed upon corporations and financial institutions. The opinion set forth in the preceding sentence is subject to the condition that the Issuer and the Borrower comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income and net taxable income for federal and state income tax purposes. The Issuer and the Borrower have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and net taxable income for federal and state income tax purposes retroactive to the date of issuance of the Bonds.

We express no opinion as to any federal or state tax consequences caused by the receipt or accrual of interest on the Bonds or arising from ownership of the Bonds, except as specifically opined in paragraph 4 above.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law or facts that may hereafter occur.

In rendering the foregoing opinions, we have relied upon: (i) representations of the Borrower as to the application of the proceeds of the Bonds and the nature, use, cost, and economic life of the facilities financed or refinanced with the proceeds of the Bonds, and (ii) the opinion of even date herewith of Messerli & Kramer P.A., Minneapolis, Minnesota, as counsel for the Borrower, as to certain matters, including that the Borrower is an organization described in Section 501(c)(3) of the Code and is exempt from Federal income taxation under Section 501(a) of the Code, that based on representations of the Borrower as to the facilities to be financed or refinanced with the proceeds of the Bonds and the activities to be conducted by the Borrower in such facilities, no portion of the facilities financed or refinanced with the proceeds of Bonds are to be used with respect to activities which constitute an unrelated trade or business of the Borrower within the meaning of Section 513(a) of the Code, and that the Loan Agreement has been duly and validly authorized, executed, and delivered by the Borrower and is a valid and binding obligation of the Borrower enforceable in accordance with its terms.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

FAEGRE BAKER DANIELS LLP

By _____

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