City of Wayzata Housing and Redevelopment Authority
Meeting Agenda
Thursday, September 5, 2013

7:30 am – 8:30 am
Wayzata City Hall Community Room
600 Rice Street East
Wayzata, MN 55391

1. Call to Order – Chairman Shaver

2. Approval of Agenda

3. Approval of Minutes of July 25, 2013

4. Public Hearing to Consider the Issuance of a Multifamily Housing Revenue Note and on a Proposal for a Housing Finance Program (Hammer Residences, Inc. Project)

5. Old Business
   a. Update on Lake Effect Planning Process
   b. Update on Priority Redevelopment Sites

6. New Business
   a. Consider Resolution Approving the Issuance and Sale of a Multifamily Housing Revenue Note (Hammer Residences, Inc. Project), Series 2013 and Authorizing the Execution of Documents Relating Thereto

7. Next Meeting Date: Thursday, October 24, 2103

8. Adjournment

HRA members present: T. Shaver, D. McGill, R. Wothe
HRA members absent: B. Ambrose, B. Petit
City Staff/HRA Executive Director present: Heidi Nelson
City Staff present: Becky Malone
Also present: Sarah Barthel, Bremer Bank; Jim Lendt, Hammer Residences, Inc.; Trudy Halla, Briggs and Morgan; and, Stacie Kvilvang, Ehlers & Associates.

Chairman Shaver called the meeting of the HRA to order at 7:34 a.m.

APPROVAL OF MINUTES – MINUTES OF NOVEMBER 14, 2012 AND REVIEW OF MINUTES OF APRIL 4, 2013

McGill asked if there had been follow-up between staff and the Meyer family. Nelson reported on meetings with the Fred Meyer family to discuss the status of their property and that they are open to a potential sale.

McGill requested an update on the CARD program and asked whether Vanda had prepared a memorandum on bonding. Nelson stated that district had expired at the end of 2012 and the spending plan is in place for various capital projects. She stated a memorandum was prepared for the Council and it decided to levy back for capital projects.

McGill motioned to approve the November 14, 2012, as presented and requesting a correction to the April 4, 2013, minutes, Page 2, to add 800 piles “to date”, seconded by Wothe. The motion passed 3/0 by voice vote.

NEW BUSINESS

a. Discussion Regarding Issuance of Housing Revenue Bonds

Nelson stated she was contacted by Hammer Residence about their interest in reissuance of bonds for new capital projects on various housing properties. She explained the City has used its allotment of bank qualified bonds for the Wayzata Bay Center so it is subject to pay for costs for the City to issue non-bank qualified debt. Nelson explained that the option was raised whether to issue housing revenue bonds under the HRA’s bank qualified authority. The Council held a public hearing on this issue last Tuesday but would have to adopt an ordinance to allow the HRA, in this one circumstance, to issue bonds.

Trudy Halla, Briggs & Morgan, stated the Wayzata Bay Center’s bonds were publicly offered and sold in the market place and banks are only interested in purchasing bank qualified debt. She stated they explored Plymouth, Minnetonka, St. Louis Park, and Golden Valley but all had used up their allotment of bank qualified debt so there was no other route for Hammer Residence.

Nelson stated the HRA is being asked to consider holding a special meeting on August 20, 2013, to consider this request.

Jim Lendt, Hammer Residences, Inc., stated they appreciate how Wayzata has sponsored Hammer Residence in the past by issuing tax exempt bonds, which saves them 2% on $5.5 million.

Sarah Barthel, Bremer Bank, stated they are building a new relationship with Hammer Residence. Halla explained that once sold, all payments would be made to the bank.

Nelson indicated the City Council will be considering a draft conduit policy that would institute a 1% fee associated with issuance of new money, but not reissuance of bonds. If approved by the City Council, there would be a 1% fee or it could be negotiated in cases where there is a development agreement or large issuance.

McGill asked if the HRA had received a copy of the resolution. Halla noted it was provided at the meeting for the HRA's review.

The HRA asked staff to place this item on the next (September 5) HRA meeting agenda.

b. Review of Draft Redevelopment Plan

Nelson explained that in early April, the HRA and City Council met in joint session to discuss strategy for economic development. Out of that workshop came a report prepared collectively with Ehlers to capture that discussion and direction. The report addresses economic development goals, a snapshot of current vacancies, office inventory and level of vacancies, what the market should bare on its own, and to set a threshold to determine at what point the City would become involved.

Wothe asked about the name of the 445 East Lake Street building (where Flagship Bank is located). Nelson stated staff will check on that property to determine whether it is included in this data.

McGill asked if the data was from 2009. Stacie Kvilvang, Ehlers & Associates, stated some of the data was from the fourth quarter of 2012 and the retail data was from June of 2012.

Nelson continued presentation of the draft Redevelopment Plan, noting it addresses potential roles of the City in being a master developer depending on the site, potential use, goals of the City, all of which would come back to the HRA and City Council for approval. The intent was to identify available tools to promote economic development. Kvilvang noted there was support to take a proactive stance versus a reactive stance.

McGill stated most felt being proactive was in order but there were reservations relating to cost, staffing, ability to predict future markets, but there was support to explore those numbers.

Shaver stated when thinking about being proactive, the Meyer property is a perfect example of redevelopment opportunity in the City. He asked what it means for the City to promote redevelopment of that site.

McGill stated philosophically, if the City has a view/goal/plan that is one thing but it really does not. The other end of the spectrum is to wait for a developer to come up with a plan and hope it ties in. He asked if the HRA is to formulate that general plan, especially for the west end.

Nelson stated that had been discussed at length, whether master planning should be done for the west end of Lake Street. Or, if things should be allowed to happen more organically. The concern is if the City prescribes, would it ever happen that way. But, concern was expressed that in having a plan there needs to also be an understanding that flexibility is needed to address market forces.

McGill asked about the remodel of the Koch property on the west side of the car wash. Shaver stated it is being extensively renovated for their own use as an office.

Nelson stated it has been acknowledged that whatever is done, it needs to accommodate what is happening with the Lake Effect to assure it is complementary and augments local business. The plans will include master planning ideas of the west end of Lake Street to revitalize that area. The August 13 Lake Effect open house will also address those issues.

Nelson noted the information relating to Legacy decisions, values and framework established through the Lake Effect, noting it all ties together. Kvilvang stated it is good to have everything tied together.

Nelson read Page 8 of the draft Redevelopment Plan and stated the list was then prioritized to identify the top seven. She stated with the Meyer's site, she wanted to prepare a redevelopment proforma so when people call with questions, staff can help facilitate by providing current information and direct those with interest/dreams to a developer who can identify capital costs for a renovation. Nelson stated if something starts to gain traction, the City can step in, in a different way. Or, as the City defines what it wants to do through a development perspective through the Lake Effect, the City may determine it to be a key property and want to take action first. With regard to a prior interest from a radiological practice, Nelson stated it would be nice to take a more active role for the property at that corner. Kvilvang agreed there needs to be more of a draw (cornerstone) for the west end of Lake Street.

Wothe stated several years ago there was a proposal for a long-term health facility but the surrounding residential neighborhood was very opposed and hired an attorney. He asked if the surrounding property owners will have some objection to development of that property. McGill noted there may be objection regardless.

Nelson suggested addressing concerns through early and frequent meetings with the neighborhood and, working with the developer to address issues of concern.

McGill noted the west end is an empty slate and this is early on to consider its potential. Shaver stated additional ways to be an influence in what occurs is to consider tools such as TIF or whether the Meyer's property meets the blight test. Kvilvang advised that the HRA has the ability to establish a TIF District and under HRA statute, it would have to meet the blight test. Nelson noted the Wayzata Bay Center required special legislation, which is an option in addition to tax abatement that can be considered without establishing a TIF District and meeting those tests.

Nelson stated she and Kvilvang are creating a “toolbox,” subject to City Council approval, including site acquisition costs, potential redevelopment costs, and the City’s vision for the site.

Shaver stated at one time there had been interest in office with condominium housing above. But you first need to identify a use before running a proforma. Kvilvang stated they have not yet run a proforma but plan to talk with developers to get their sense on what the site can be used for.

Nelson stated her notion at this point is how the site would function as retail if the corner is restored for retail and the outbuildings are eliminated. Shaver stated since traffic is wanted, retail would be the highest priority use. Nelson stated if the existing building is used for a brewery or restaurant, it would have to be gutted and restored. She stated if it is used for condos, she would ask if the City wants to get involved with supporting that use and whether there is a market given what else is occurring in Wayzata.

Shaver stated he finds Items 4 and 6 to be tied together sequentially since the City lot cannot be redeveloped without the Mill Street parking being done. He noted the Muni parking lot is always packed.

Wothe stated after the City Council considered whether to develop one-half of it, they decided to develop all of it and it is now full all of the time. Nelson agreed there is no backstop for parking for that end of downtown. She stated there are 300 to 350 people working on the Presbyterian Homes project every day.

Shaver asked if Presbyterian Homes is working on Phase III. Nelson stated the hotel site is not available for construction until 2014/early 2015 since it is needed for staging the West and Plaza Blocks. She stated they are on track for Superior Block occupancy by late October and Lunds plans to open the first week of December.

Nelson noted the action items that dovetail with the Strategic Plan that shores up policies, mentions the conduit policy, capitalizing on the City’s brand, and communication efforts. Kvilvang noted some of the timing will get pushed out so it will be revised, as appropriate.

Nelson explained what was considered during the update of the Downtown Parking Study, and stated that in the September timeframe, it will be brought before the City Council as well as discussion of options for a ramp and how it could be funded. She stated the demand in the Mill Street area is significant and a parking ramp will be driven by what the City will tolerate. Nelson noted height will be an issue so it may be more about the site than meeting the demand. With regard to west end parking, Nelson stated it would require a collective effort between the Flagship parcel, Brad Hoyt parcel, and Pat Hughes parcel to create public parking to offset the marina, beach, Dakota Trail, and Boatworks uses. She stated staff is talking with the new owner of the Boatworks about resurfacing the lot, adding a few more stalls, and is also engaging Three Rivers Park District about their plans to accommodate bike trail parking since a lot of that parking occurs in the Boatworks lot. McGill stated additional considerations are parking for users of the tour boats.

Nelson referred to the last page of the Redevelopment Plan and asked for comments.

McGill asked if a potential developer with experience in financing has reviewed this Plan to provide comments on its viability. Kvilvang stated that has not occurred; however, this Plan has given staff the ability and confidence when talking to developers to say the community is taking a proactive stance on economic development and willing to consider offering assistance, when warranted.

Shaver commented on the ability for a developer to come in and do redevelopment in a constructive way, which is a difficult entitlement area. He noted Presbyterian Homes was four years in the making and while others had failed before them, they persevered. Shaver applauded staff's effort to bring forward this Plan that can be discussed with developers that there is a City vision and a partnership exists to get it done.

Nelson stated she does not want to be out ahead of the Council or HRA, but wants to be in step when talking with a landowner about what can happen with their property. She stated those conversations are happening and will come back for HRA and City Council consideration.

Shaver stated he likes the document, how it ties to the Lake Effect, and that it is broad enough but gives guidance and direction to the public about the City's vision for redevelopment within the community.

Wothe stated the City cannot leave that vision to the developer because when an RFP was issued on West Lake, they asked "who would live that close to the railroad tracks?" He noted that John Laurent had that vision, put something together, and it has become a popular place.

Nelson indicated action is not needed on this item, it was presented for review and comment.

c. <u>Consider future meetings at 7:30 a.m. on the 4th Thursday of the month as follows: October 24, 2013; January 23, 2014; April 24, 2014; July 24, 2014; and, October 23, 2014</u>

The HRA discussed the proposed meeting schedule and reached consensus to hold quarterly meetings and that a special meeting can be called, when needed. The HRA agreed the next meeting will be September 5, 2013 at 7:30 a.m.

<u>ADJOURNMENT</u>

There being no further business; Wothe motioned to adjourn at 8:32 a.m., McGill seconded the motion and the motion carried 5/0.

Respectfully submitted,

Becky Malone
Deputy City Clerk
City of Wayzata

Extract of Minutes of a Meeting of the
Board of Commissioners of the Housing and Redevelopment
Authority in and for the City of Wayzata

Pursuant to due call and notice thereof, a regular meeting of the Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Wayzata was duly held at the City Hall, on Thursday, September 5, 2013, at 7:30 o'clock A.M.

The following Members were present:

and the following were absent:

During such meeting Member __________________ introduced the following resolution and moved its adoption:

RESOLUTION NO. _______

RESOLUTION APPROVING A HOUSING PROGRAM AND THE ISSUANCE AND SALE OF A MULTIFAMILY HOUSING REVENUE NOTE (HAMMER RESIDENCES, INC. PROJECT), SERIES 2013 AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO

The motion for the adoption of the foregoing resolution was duly seconded by Member ________________________, and after full discussion thereof and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon said resolution was declared duly passed and adopted.

RESOLUTION APPROVING THE ISSUANCE AND SALE OF A
MULTIFAMILY HOUSING REVENUE NOTE
(HAMMER RESIDENCES, INC. PROJECT), SERIES 2013 AND
AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO

WHEREAS,

(a) Minnesota Statutes, Chapter 462C, as amended (the "Act"), Minnesota Statutes, Chapter 462C, as amended (the "Act"), authorizes municipalities, and housing and redevelopment authorities if so approving by ordinance by the City having jurisdiction over such housing and redevelopment authority, (i) to issue revenue bonds for the purpose of financing or refinancing projects including any land, building or other improvement and real or personal property, whether or not in existence, to the end that more adequate residential housing facilities for low and middle-income families may be provided, (ii) to enter into financing agreements with others for the purpose of providing revenues to pay such bonds, and (iii) further to secure the payment of such bonds;

(b) The Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Wayzata (the "HRA") has received from Hammer Residences, Inc., a Minnesota nonprofit corporation (the "Borrower"), a proposal that the HRA and the City of Wayzata (the "City") assist in financing a Project hereinafter described through the issuance of a revenue note, as further defined below, the "Note", pursuant to the Act and a housing program attached to this resolution as Exhibit A (the "Program");

(c) The Project to be financed or refinanced by the Note consists of financing of a portion of the costs of (1) refinancing the outstanding principal balance of the City's $2,500,000 Revenue Bond (Hammer Residence, Inc. Project) dated December 27, 2006, relating to certain of the Borrower's facilities in the City; (2) refinancing the outstanding principal balance of the City of Golden Valley ("Golden Valley") $800,000 Revenue Bond (Hammer Residences, Inc. Project) dated January 17, 2008, relating to certain of the Borrower's facilities, in Plymouth, MN ("Plymouth"); (3) refinancing the outstanding principal balance of the City's $1,302,945.08 Refunding Revenue Bond (Hammer Residences, Inc. Project) dated July 1, 2010, relating to the Borrower's headquarters building located at 1909 East Wayzata Boulevard in the City ("Headquarters"); (4) refinancing of certain conventional debt of the Borrower issued on November 11, 2009 and under a credit line used for capital improvements to certain of the Borrower's facilities located in the City, Golden Valley, Plymouth and the City of Minnetonka ("Minnetonka"); and (5) additional capital expenditures including renovation and equipping and acquisition of database software in Headquarters and certain of the Borrower's facilities in the City, Minnetonka, Plymouth and Golden Valley (collectively, the "Project");

(d) The City has been advised by representatives of the Borrower that conventional, commercial financing to pay the capital cost of the Project is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Project would be significantly reduced;

(e) Based on representations of the Borrower, no public official of the City has either a direct or indirect financial interest in the Project nor will any public official either directly or indirectly benefit financially from the Project; and

(f) A public hearing on the Project was held by the City on July 16, 2013, after notice was published and materials made available for public inspection at the City's offices, all as required by the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), at which public hearing all those appearing who desired to speak were heard and written comments were accepted.

(g) A public hearing on the Program was held by the HRA on the date hereof, after notice was published as required by Minnesota Statutes Section 462C.04, Subd. 2. A copy of the Program was submitted to the Metropolitan Council for its review prior to such hearing.

BE IT RESOLVED by the Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Wayzata, as follows:

SECTION 1. LEGAL AUTHORIZATION AND FINDINGS.

1.1 Findings. The HRA hereby finds, determines and declares as follows:

(a) The HRA is a body corporate and politic of the State of Minnesota (the "State") and is authorized under the Act and the Ordinance adopted by the City on August 20, 2013 to assist the multifamily housing project herein referred to, and to issue and sell the Note for the purpose, in the manner and upon the terms and conditions set forth in the Act and in this Resolution.

(b) The issuance and sale of the $4,000,000 Multifamily Housing Revenue Note (Hammer Residences, Inc. Project), Series 2013A and the $1,500,000 Multifamily Housing Revenue Note (Hammer Residences, Inc. Project), Series 2013B (collectively, the "Note") by the HRA, pursuant to the Act, is in the best interest of the HRA, and the HRA hereby determines to issue the Note and to sell the Note to Bremer Bank, N.A., in St. Cloud, Minnesota (the "Lender"), as provided herein. The HRA will loan the proceeds of the Note (the "Loan") to the Borrower in order to finance and refinance the Project. A draft of the Note has been submitted to the HRA.

(c) Pursuant to a Loan Agreement (the "Loan Agreement") to be entered into between the HRA and the Borrower, the Borrower has agreed to repay the Note in specified amounts and at specified times sufficient to pay in full when due the principal of, premium, if any, and interest on the Note. In addition, the Loan Agreement contains provisions relating to the maintenance and operation of the Project, indemnification, insurance, and other agreements and covenants which are required or permitted by the Act and which the HRA and the Borrower deem necessary or desirable for the financing and refinancing of the Project. A draft of the Loan Agreement has been submitted to the HRA.

(d) Pursuant to a Pledge Agreement (the "Pledge Agreement") to be entered into between the HRA and the Lender, the HRA has pledged and granted a security interest in all of its rights, title, and interest in the Loan Agreement to the Lender (except for certain rights of indemnification and to reimbursement for certain costs and expenses). A draft of the Pledge Agreement has been submitted to the HRA.

(e) Pursuant to a Mortgage, Security Agreement and Fixture Financing Statement (the "Residential Mortgage") in the amount of the Note to be executed by the Borrower in favor of the HRA and assigned by the HRA to the Lender pursuant to an Assignment of Mortgage (the "Assignment"), and a Mortgage, Security Agreement and Fixture Financing Statement (the “Headquarters Mortgage”) to be executed by the Borrower in favor of the Lender, the Borrower has secured payment of amounts due under the Loan Agreement and Note by granting to the Lender mortgage and security interests in the property described therein. Drafts of the Residential Mortgage, the Assignment and the Headquarters Mortgage have been submitted to the HRA.

(f) Pursuant to an Assignment of Leases and Rents (the "Assignment of Leases") to be executed by the Borrower in favor of the Lender, the Borrower has secured payment of amounts due under the Loan Agreement and the Note by granting the Lender an assignment of all leases and rents from the property described therein. A draft of the Assignment of Leases has been submitted to the HRA but will not be executed by the HRA.

(g) Pursuant to a Regulatory Agreement (the "Regulatory Agreement") to be executed by the Borrower and the Lender, the Borrower has agreed to comply with the low-to-moderate income requirements set forth in Section 142(d) of the Code and requirements of the Act with respect to its residential facilities. A draft of the Regulatory Agreement has been submitted to the HRA but will not be executed by the HRA.

(h) The Note will be issued pursuant to this Resolution and a Joint Powers Agreement among the HRA, Golden Valley, Plymouth and Minnetonka (the “Joint Powers Agreement”). A draft of the Joint Powers Agreement has been submitted to the HRA.

(i) The Note will be a special, limited obligation of the HRA. The Note shall not be payable from or charged upon any funds other than the revenues pledged to the payment thereof, nor shall the HRA or the City be subject to any liability thereon. No holder of the Note shall ever have the right to compel any exercise of the taxing power of the HRA or the City to pay the Note or the interest thereon, nor to enforce payment thereof against any property of the HRA or the City. The Note shall not constitute a debt of the HRA or the City within the meaning of any constitutional or statutory limitation.

(j) By resolution adopted on July 16, 2013, the City has approved issuance of the Note and by ordinance adopted on August 20, 2013 the City has conferred upon the HRA the power to issue the Note pursuant to the Act.

(k) It is desirable, feasible and consistent with the objects and purposes of the Act to issue the Note, for the purpose of financing and refinancing the costs of the Project.

1.2 Authorization and Ratification of Project. The HRA hereby authorizes the Borrower, in accordance with the provisions of the Act and subject to the terms and conditions imposed by the Lender, to provide for the financing and refinancing of the Project by such means as shall be available to the Borrower and in the manner determined by the Borrower, and without advertisement for bids as may be required for the construction and acquisition of other municipal facilities; the HRA hereby ratifies, affirms, and approves all actions heretofore taken by the Borrower consistent with and in anticipation of such HRA; and the Borrower is hereby authorized to make such expenditures and advances toward payment of that portion of the costs of the Project to be financed from the proceeds of the Note as the Borrower considers necessary, including the use of interim, short term financing, subject to reimbursement from the proceeds of the Note if and when delivered but otherwise without liability on the part of the HRA.

SECTION 2. THE NOTE.

2.1 Authorized Amount and Form of Note. The Note is hereby approved and shall be issued pursuant to this Resolution in substantially the form submitted to the HRA with such appropriate variations, omissions and insertions as are necessary and appropriate and are permitted or required by this Resolution, and in accordance with the further provisions hereof; and the total aggregate principal amount of the Note that may be outstanding hereunder shall not exceed $5,500,000, unless a duplicate Note is issued pursuant to Section 2.7. The Note shall bear interest at a variable rate which shall be reset as set forth therein and on the date of issuance will not exceed 7% per annum.

2.2 The Note. The Note shall be dated as of the date of delivery to the Lender, shall be payable at the times and in the manner, shall bear interest at the rate, and shall be subject to such other terms and conditions as are set forth therein.

2.3 Execution. The Note shall be executed on behalf of the HRA by the signatures of its Chair and its Executive Director and shall be sealed with the seal of the HRA; provided that the seal may be intentionally omitted as provided by law. In case any officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if had remained in office until delivery. In the event of the absence or disability of the Chair or the Executive Director, such officers of the HRA as, in the opinion of the attorney for the HRA, may act in their behalf, shall without further act or authorization of the Board of Commissioners execute and deliver the Note.

2.4 Delivery of Initial Note. Before delivery of the Note there shall be filed with the Lender (except to the extent waived by the Lender) the following items:

(1) an executed copy of each of the following documents:

(a) the Loan Agreement;

(b) the Pledge Agreement;

(c) the Residential Mortgage;

(d) the Headquarters Mortgage

(e) the Assignment;

(f) the Assignment of Leases;

(g) the Regulatory Agreement;

(h) the Joint Powers Agreement;

(2) an opinion of Counsel for the Borrower as prescribed by the Lender and Bond Counsel;

(3) the opinion of Bond Counsel as to the validity and tax exempt status of the Note;

(4) a 501(c)(3) determination letter from the Internal Revenue Service evidencing that the Borrower is exempt from income taxation under Section 501(c)(3) of the Code;

(5) such other documents and opinions as Bond Counsel may reasonably require for purposes of rendering its opinion required in subsection (3) above or that the Lender may reasonably require for the closing.

2.5 Disposition of Proceeds of the Note. Upon delivery of the Note to Lender, the Lender shall, on behalf of the HRA, disburse the proceeds of the Note for payment of Project Costs in accordance with the terms of the Loan Agreement.

2.6 Registration of Transfer. The HRA will cause to be kept at the office of the Executive Director a Note Register in which, subject to such reasonable regulations as it may prescribe, the HRA shall provide for the registration of transfers of ownership of the Note. The Note shall be initially registered in the name of the Lender and shall be transferable upon the Note Register by the Lender in person or by its agent duly authorized in writing, upon surrender of the Note together with a written instrument of transfer satisfactory to the Executive Director, duly executed by the Lender or its duly authorized agent. The following form of assignment shall be sufficient for said purpose.

> For value received ____________ hereby sells, assigns and transfers unto _________________ the within Note of the Housing and Redevelopment Authority in and for the City of Wayzata, and does hereby irrevocably constitute and appoint ____________________ attorney to transfer said Note on the books of said HRA with full power of substitution in the premises. The undersigned certifies that the transfer is made in accordance with the provisions of Section 2.9 of the Resolution authorizing the issuance of the Note.

Dated: _______________________________________

____
Registered Owner

Upon such transfer the Executive Director shall note the date of registration and the name and address of the new Lender in the applicable Note Register and in the registration blank appearing on the Note.

2.7 Mutilated, Lost or Destroyed Note. In case the Note issued hereunder shall become mutilated or be destroyed or lost, the HRA shall, if not then prohibited by law, cause to be executed and delivered, a new Note of like outstanding principal amount, number and tenor in exchange and substitution for and upon cancellation of such mutilated Note, or in lieu of and in substitution for such Note destroyed or lost, upon the Lender's paying the reasonable expenses and charges of the HRA in connection therewith, and in the case of a Note destroyed or lost, the filing with the HRA of evidence satisfactory to the HRA with indemnity satisfactory to it. If the mutilated, destroyed or lost Note has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Note prior to payment.

2.8 Ownership of Note. The HRA may deem and treat the person in whose name the Note is last registered in the Note Register and by notation on the Note whether or not such Note shall be overdue, as the absolute owner of such Note for the purpose of receiving payment of or on account of the Principal Balance, redemption price or interest and for all other purposes whatsoever, and the HRA shall not be affected by any notice to the contrary.

2.9 Limitation on Note Transfers. The Note will be issued to an "accredited investor" and without registration under state or other securities laws, pursuant to an exemption for such issuance; and accordingly the Note may not be assigned or transferred in whole or part, nor may a participation interest in the Note be given pursuant to any participation agreement, except to another "accredited investor" or "financial institution" in accordance with an applicable exemption from such registration requirements and with full and accurate disclosure of all material facts to the prospective purchaser(s) or transferee(s).

2.10 Issuance of a New Note. Subject to the provisions of Section 2.9, the HRA shall, at the request and expense of the Lender, issue a new note, in aggregate outstanding principal amount equal to that of the Note surrendered, and of like tenor except as to number, principal amount, and the amount of the periodic installments payable thereunder, and registered in the name of the Lender or such transferee as may be designated by the Lender.

SECTION 3. MISCELLANEOUS.

3.1 Approval of the Program. The Program to be undertaken by the Borrower is hereby approved.

3.2 Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or paragraphs in this Resolution contained shall not affect the remaining portions of this Resolution or any part thereof.

3.3 Authentication of Transcript. The officers of the HRA are directed to furnish to Bond Counsel certified copies of this Resolution and all documents referred to herein, and affidavits or certificates as to all other matters which are reasonably necessary to evidence the validity of the Note. All such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute recitals of the HRA as to the correctness of all statements contained therein.

3.4 Authorization to Execute Agreements. The forms of the proposed Loan Agreement, the Pledge Agreement, Assignment and Joint Powers Agreement are hereby approved in substantially the form presented to the Board of Commissioners, together with such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by Bond Counsel prior to the execution of the documents. The Chair and the Executive Director of the HRA are authorized to execute the Loan Agreement, the Assignment, the Pledge Agreement and the Joint Powers Agreement and such other documents as Bond Counsel considers appropriate in connection with the issuance of the Note, in the name of and on behalf of the HRA. In the event of the absence or disability of the Chair or the Executive Director such officers of the HRA as, in the opinion of the attorney for the HRA, may act on their behalf, shall without further act or authorization of the Board of Commissioners do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers. The execution of any instrument by the appropriate officer or officers of the HRA herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof.

3.5 Qualified Tax Exempt Obligation. In order to qualify the Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code, the HRA hereby makes the following factual statements and representations;

(a) the Note will be issued after August 7, 1986;

(b) the Note is not treated as a "private activity bond" under Section 265(b)(3) of the Code;

(c) the HRA hereby designates the Note as a qualified tax-exempt obligation for purposes of Section 265(b)(3) of the Code;

(d) the reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the HRA (and all entities whose obligations will be aggregated with those of the HRA) during the calendar year 2013 will not exceed $10,000,000; and

(e) not more than $10,000,000 of obligations issued by the HRA during the calendar year 2013 have been designated for purposes of Section 265(b)(3) of the Code.

(Remainder of page intentionally blank.)

Adopted by the Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Wayzata, this 5th day of September, 2013.

Chair

ATTEST:

Executive Director

STATE OF MINNESOTA
COUNTY OF HENNEPIN
CITY OF WAYZATA

I, the undersigned, being the duly qualified and acting Executive Director of the Housing and Redevelopment Authority in and for the City of Wayzata, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the Board of Commissioners of the HRA duly called and held on the date therein indicated, insofar as such minutes relate to a resolution authorizing the issuance of a revenue note.

WITNESS my hand this ____ day of September, 2013.

____
Executive Director

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN

Housing and Redevelopment Authority in and for the City of Wayzata, Minnesota
Multifamily Housing Revenue Note
(Hammer Residences, Inc. Project), Series 2013A

No. R-1 $4,000,000

FOR VALUE RECEIVED the HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA (the “HRA”) hereby promises to pay BREMER BANK, NATIONAL ASSOCIATION, a national banking association, its successors or registered assigns (the “Lender”), from the source and in the manner hereinafter provided, the principal sum of FOUR MILLION DOLLARS ($4,000,000), or so much thereof as has been advanced and remains unpaid from time to time (the “Principal Balance”), with interest thereon at the rate of 3.41% per annum, from the date hereof until paid or otherwise discharged as set forth below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America, in accordance with the terms hereinafter set forth. This Note is issued by the HRA pursuant to that certain Loan Agreement of even date herewith (the “Loan Agreement”) by and between the HRA and Hammer Residences, Inc., a Minnesota nonprofit corporation (the “Borrower”).

1. Commencing on October 1, 2013 and continuing on the first (1st) day of each month thereafter to and including September 1, 2023 (the “Final Maturity Date”), principal and accrued interest on this Note shall be payable in equal consecutive monthly installments in an amount necessary to fully amortize the Principal Balance, together with accrued interest thereon at the rate set forth above in equal consecutive monthly installments by the Final Maturity Date. The monthly payment due on October 1, 2013 shall also include interest accrued from the date hereof until October 1, 2013. Payments shall be applied first to amounts which are neither principal nor interest, including any collection costs, late fees or prepayment premiums, next to interest due on the Principal Balance and thereafter to reduction of the Principal Balance.

2. In any event, the payments hereunder shall be sufficient to pay all principal and interest due, as such principal and interest becomes due, and to pay any premium or service charge, at maturity, upon redemption, or otherwise. Interest shall be computed on the basis of a year of 360 days but charged for the actual number of days principal is unpaid.

3. Principal and interest and premium, if any, due hereunder shall be payable at the principal office of the Lender, or at such other place as the Lender may designate in writing.

4. This Note and the HRA’s $1,500,000 Multifamily Housing Revenue Note (Hammer Residences, Inc. Project) Series 2013B (the “Series B Note”) are issued by the HRA to provide funds to finance a portion of the costs of (a) refinancing the outstanding principal

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balance of the City of Wayzata (the "City") $2,500,000 Revenue Bond (Hammer Residence, Inc. Project) dated December 27, 2006, relating to certain of the Borrower's facilities in the City; (b) refinancing the outstanding principal balance of the City of Golden Valley ("Golden Valley") $800,000 Revenue Bond (Hammer Residences, Inc. Project) dated January 17, 2008, relating to certain of the Borrower's facilities, in Plymouth, MN ("Plymouth"); (c) refinancing the outstanding principal balance of the City's $1,302,945.08 Refunding Revenue Bond (Hammer Residences, Inc. Project) dated July 1, 2010, relating to the Borrower's headquarters building located at 1909 East Wayzata Boulevard in the City ("Headquarters"); (d) refinancing of certain conventional debt of the Borrower issued on November 11, 2009 and under a credit line used for capital improvements to certain of the Borrower's facilities located in the City, Golden Valley, Plymouth and the City of Minnetonka ("Minnetonka"); and (e) additional capital expenditures including renovation and equipping and acquisition of database software in the Headquarters and certain of the Borrower's facilities in the City, Minnetonka, Plymouth and Golden Valley. This Note is further issued pursuant to and in full compliance with the Constitution and laws of the State of Minnesota, particularly Minnesota Statutes, Chapter 462C and Section 469.152 through .1655, as amended, and pursuant to a resolution of the HRA duly adopted on September 5, 2013 (the "Resolution").

5. This Note is secured by a Pledge Agreement of even date herewith, between the HRA and the Lender (the "Pledge Agreement"), a Mortgage, Security Agreement and Fixture Financing Statement of even date herewith executed by the Borrower in favor of the HRA and assigned by the HRA to the Lender, and a Mortgage, Security Agreement and Fixture Financing Statement and an Assignment of Leases and Rents, each of even date herewith, executed by the Borrower, in favor of the Lender (the "Mortgages" and the "Assignment," respectively).

6. The HRA, for itself, its successors and assigns, hereby waives demand, presentment, protest and notice of dishonor, and to the extent permitted by law, the Lender may extend interest and/or principal of or any service charge or premium due on this Note, including the Final Maturity Date, or release any part or parts of the property and interest subject to the Mortgages or to any other security document from the same, all without notice to or consent of any party liable hereon or thereon and without releasing any such party from such liability and whether or not as a result thereof the interest on this Note is no longer exempt from the federal or state income tax. In no event, however, may the Final Maturity Date of this Note be extended beyond thirty (30) years from the date hereof.

7. If prepayment is provided by the Borrower's cash flow or charitable contributions, this Note may be prepaid, in whole or in part, on any monthly payment date, without premium upon thirty (30) days prior written notice. If prepayment is provided by a refinancing from any source other than cash flow of the Borrower or charitable contributions, the prepayment shall be subject to a prepayment premium based on the outstanding Principal Balance at the time of prepayment as set forth below:

Date	**Premium**
September __, 2013 to September _, 2014	5%
September __, 2014 to September _, 2015	4%
September __, 2015 to September _, 2016	3%
September __, 2016 to September _, 2017	2%
September __, 2017 and thereafter	1%

Any partial prepayment of a Note shall reduce the outstanding Principal Balance of the Note in inverse order of the principal installments unpaid thereon. Any such partial prepayment shall be applied first to accrued interest, and then to principal.

8. As provided in the Resolution and subject to certain limitations set forth therein, this Note is only transferable upon the books of the HRA at the office of the City Administrator, by the Lender in person or by its agent duly authorized in writing, at the Lender's expense, upon surrender hereof together with a written instrument of transfer satisfactory to the City Administrator, duly executed by the Lender or its duly authorized agent. Upon such transfer the City Administrator will note the date of registration and the name and address of the new registered owner in the registration blank appearing below. The HRA may deem and treat the person in whose name this Note is last registered upon the books of the HRA with such registration noted on this Note, as the absolute owner hereof, whether or not overdue, for the purpose of receiving payment of or on the account of the Principal Balance, redemption price or interest and for all other purposes, and all such payments so made to the Lender or upon its order shall be valid and effective to satisfy and discharge the liability upon this Note to the extent of the sum or sums so paid, and the HRA shall not be affected by any notice to the contrary.

9. All of the agreements, conditions, covenants, provisions and stipulations contained in the Resolution, the Mortgages, the Loan Agreement, the Assignment and the Pledge Agreement are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein.

10. This Note and the Series B Note and interest thereon and any service charge or premium, if any, due hereunder are payable solely from the revenues and proceeds derived from the Loan Agreement, the Mortgages, the Assignment and the Pledge Agreement and do not constitute a debt of the HRA or the City within the meaning of any constitutional or statutory limitation, are not payable from or a charge upon any funds other than the revenues and proceeds pledged to the payment thereof, and do not give rise to a pecuniary liability of the HRA or the City or any of its officers, agents or employees, and no holder of this Note shall ever have the right to compel any exercise of the taxing power of the HRA or the City to pay this Note or the interest thereon, or to enforce payment thereof against any property of the HRA or the City, and this Note does not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the HRA or the City, and the agreement of the HRA to perform or cause the performance of the covenants and other provisions herein referred to shall be subject at all times

to the availability of revenues or other funds furnished for such purpose in accordance with the Loan Agreement, sufficient to pay all costs of such performance or the enforcement thereof.

11. Upon a Determination of Taxability, as defined in the Loan Agreement, this Note shall convert to a taxable obligation and the interest rate for interest payable commencing the first (1st) day of the following month shall be adjusted to an interest rate per annum equal to the rate which would otherwise be in effect under this Note multiplied by 1.5 (the "Taxable Rate") as such rate is adjusted, and principal and interest payments shall be reamortized.

12. If an Event of Default (as that term is defined in the Loan Agreement, or the Mortgages) shall occur, then the Lender shall, among other things, have the right and option to (a) declare the Principal Balance and accrued interest thereon, immediately due and payable, whereupon the same, plus any premiums or service charges, shall be due and payable, but solely from sums made available under the Loan Agreement, the Mortgages, the Assignment and the Pledge Agreement and (b) adjust the interest rate for interest payable commencing the first (1st) day of the following month to an interest rate per annum equal to **[3.00%]** in excess of the rate of interest otherwise payable hereunder (the "Default Rate"); provided however that the maximum annual rate of interest payable hereunder will not exceed the maximum interest rate permitted by Minnesota law. Failure to exercise such options at any time shall not constitute a waiver of the right to exercise the same at any subsequent time.

13. If any payment of principal of or interest on this Note (including any payment due and payable on the Final Maturity Date) is not paid within ten (10) days of the due date thereof, the Borrower shall pay to the Lender a late charge equal to **[5.00%]** of the amount of such payment.

14. The remedies of the Lender, as provided herein and in the Mortgages, the Loan Agreement, the Assignment and the Pledge Agreement, are not exclusive and shall be cumulative and concurrent and may be pursued singly, successively or together, at the sole discretion of the Lender, and may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

15. The Lender shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Lender and, then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

16. This Note has been issued without registration under state or federal or other securities laws, pursuant to an exemption for such issuance; and accordingly this Note may not be assigned or transferred in whole or part, nor may a participation interest in this Note be given pursuant to any participation agreement, except in accordance with an applicable exemption from such registration requirements.

17. This Note shall be governed by the laws of the State of Minnesota.

18. This Note has been designated by the HRA as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist to happen and to be performed precedent to or in the issuance of this Note do exist, have happened and have been performed in regular and due form as required by law.

[Signature page follows.]

IN WITNESS WHEREOF, the HRA has caused this Note to be duly executed in its name by the manual signatures of the Chair and Executive Director, the corporate seal having been intentionally omitted as permitted by law, and has caused this Note to be dated as of September __, 2013.

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA, MINNESOTA

By: ___________________________________
Chair

By: ___________________________________
Executive Director

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PROVISIONS AS TO REGISTRATION

The ownership of the unpaid Principal Balance of this Note and the interest accruing thereon is registered on the books of the Housing and Redevelopment Authority in and for the City of Wayzata in the name of the holder last noted below.

Date of Registration	Name and Address Registered Owner	Signature of HRA Executive Director
September __, 2013	Bremer Bank, National Association 4150 Second Street South St. Cloud, MN 56304 Attn: Commercial Real Estate	___________________

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UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN

Housing and Redevelopment Authority in and for the City of Wayzata
Multifamily Housing Revenue Note
(Hammer Residences, Inc. Project), Series 2013B

No. R-1 $1,500,000

FOR VALUE RECEIVED the HOUSING AND REDEVELOPMENT AUTHORITY in and for THE CITY OF WAYZATA (the "HRA") hereby promises to pay BREMER BANK, NATIONAL ASSOCIATION, a national banking association, its successors or registered assigns (the "Lender"), from the source and in the manner hereinafter provided, the principal sum of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000), or so much thereof as has been advanced and remains unpaid from time to time (the "Principal Balance"), with interest thereon from the date hereof until paid or otherwise discharged as set forth below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America, in accordance with the terms hereinafter set forth. This Note is issued by the HRA pursuant to that certain Loan Agreement of even date herewith (the "Loan Agreement") by and between the HRA and the Hammer Residences, Inc., a Minnesota nonprofit corporation (the "Borrower").

1. Commencing on the date of this Note and continuing until September __, 2015 (the "Amortization Date") interest only shall accrue on the outstanding Principal Balance at a variable rate of interest equal to the Bremer Financial Corporation prime rate as such rate shall change from time to time divided by 1.5 (the "Initial Rate") and shall be paid on the first day of each month until the first day of the month in which the Amortization Date occurs. At its sole option and with 5 business days prior written notice to the Lender the Borrower, on behalf of the HRA, may choose an earlier or later date as the Amortization Date provided that the Amortization Date shall be no earlier than September ___, 2014 or later than September ___, 2018.

2. On the Amortization Date the interest rate on this Note shall be adjusted to an interest rate per annum equal to the sum of (a) the Federal Home Loan Bank of Des Moines 10-year Fixed Advance Rate Prior Day's Rate on such date plus (b) 1.60, divided by (c) 1.5 (the "Adjusted Rate"), which Adjusted Rate shall remain in effect until all principal and interest accrued on this Note are paid in full. As used herein, "Federal Home Loan Bank of Des Moines Fixed Rate Advance Prior Day's Rate" means the rate on Fixed Rate Advances with an advance term of 10 years in effect as of an Adjustment Date, as published and made available by the Federal Home Loan Bank of Des Moines, Iowa (the "Index"). In the event that the Index is no longer published or otherwise made available, the Index shall be a substantially comparable index selected by the Lender in its sole discretion.

3. Subject to any adjustment for permitted prepayment pursuant to Section 9 hereof, or other adjustment as provided herein, the Principal Balance as of the Amortization Date and interest on this Note shall be amortized and shall be payable in equal consecutive monthly

installments on the 1st day of each month, commencing on the first day of the month following the Amortization Date, and continuing thereafter on the 1st day of each month until September 1, 2025 (the “Final Maturity Date”) when any remaining Principal Balance and all accrued interest are due and payable in full.

Payments shall be applied first to amounts which are neither principal nor interest, including any collection costs, late fees or prepayment premiums, next to interest due on the Principal Balance and thereafter to reduction of the Principal Balance.

4. In any event, the payments hereunder shall be sufficient to pay all principal and interest due, as such principal and interest becomes due, and to pay any premium or service charge, at maturity, upon redemption, or otherwise. Interest shall be computed on the basis of a year of 360 days but charged for the actual number of days principal is unpaid.

5. Principal and interest and premium, if any, due hereunder shall be payable at the principal office of the Lender, or at such other place as the Lender may designate in writing.

6. This Note and the HRA’s $4,000,000 Multifamily Housing Revenue Note (Hammer Residences, Inc. Project), Series 2013A (the “Series A Note”) are issued by the HRA to provide funds pursuant to the Loan Agreement to finance a portion of the costs of (a) refinancing the outstanding principal balance of the City of Wayzata (the “City”) $2,500,000 Revenue Bond (Hammer Residence, Inc. Project) dated December 27, 2006, relating to certain of the Borrower’s facilities in the City; (b) refinancing the outstanding principal balance of the City of Golden Valley (“Golden Valley”) $800,000 Revenue Bond (Hammer Residences, Inc. Project) dated January 17, 2008, relating to certain of the Borrower’s facilities, in Plymouth, MN (“Plymouth”); (c) refinancing the outstanding principal balance of the City’s $1,302,945.08 Refunding Revenue Bond (Hammer Residences, Inc. Project) dated July 1, 2010, relating to the Borrower’s headquarters building located at 1909 East Wayzata Boulevard in the City (“Headquarters”); (d) refinancing of certain conventional debt of the Borrower issued on November 11, 2009 and under a credit line used for capital improvements to certain of the Borrower’s facilities located in the City, Golden Valley, Plymouth and the City of Minnetonka (“Minnetonka”); and (e) additional capital expenditures including renovation and equipping and acquisition of database software in the Headquarters and certain of the Borrower’s facilities in the City, Minnetonka, Plymouth and Golden Valley (collectively, the “Project”). This Note is further issued pursuant to and in full compliance with the Constitution and laws of the State of Minnesota, particularly Minnesota Statutes, Chapter 462C, Section 469.152 through .1655, as amended, and pursuant to a resolution of the HRA duly adopted on September 4, 2013 (the "Resolution").

7. This Note is secured by a Pledge Agreement of even date herewith, between the HRA and the Lender (the "Pledge Agreement"), a Mortgage, Security Agreement and Fixture Financing Statement of even date herewith executed by the Borrower in favor of the HRA and assigned by the HRA to the Lender, and a Mortgage, Security Agreement and Fixture Financing Statement and an Assignment of Leases and Rents, each of even date herewith, executed by the Borrower, in favor of the Lender (the "Mortgages" and the “Assignment,” respectively).

8. The HRA, for itself, its successors and assigns, hereby waives demand, presentment, protest and notice of dishonor, and to the extent permitted by law, the Lender may extend interest and/or principal of or any service charge or premium due on this Note, including the Final Maturity Date, or release any part or parts of the property and interest subject to the Mortgages or to any other security document from the same, all without notice to or consent of any party liable hereon or thereon and without releasing any such party from such liability and whether or not as a result thereof the interest on this Note is no longer exempt from the federal or state income tax. In no event, however, may the Final Maturity Date of this Note be extended beyond thirty (30) years from the date hereof.

9. If prepayment is provided by the Borrower's cash flow or charitable contributions, this Note may be prepaid, in whole or in part, on any monthly payment date, without premium upon thirty (30) days prior written notice. If prepayment is provided by a refinancing from any source other than cash flow of the Borrower or charitable contributions, the prepayment shall be subject to a prepayment premium based on the Outstanding Principal Balance at the time of prepayment as set forth below:

Date	**Premium**
September __, 2013 to September _, 2014	5%
September __, 2014 to September _, 2015	4%
September __, 2015 to September _, 2016	3%
September __, 2016 to September _, 2017	2%
September __, 2017 and thereafter	1%

Any partial prepayment of a Note shall reduce the outstanding principal balance of the Note in inverse order of the principal installments unpaid thereon. Any such partial prepayment shall be applied first to accrued interest, and then to principal.

10. As provided in the Resolution and subject to certain limitations set forth therein, this Note is only transferable upon the books of the HRA at the office of the City Administrator, by the Lender in person or by its agent duly authorized in writing, at the Lender's expense, upon surrender hereof together with a written instrument of transfer satisfactory to the City Administrator, duly executed by the Lender or its duly authorized agent. Upon such transfer the City Administrator will note the date of registration and the name and address of the new registered owner in the registration blank appearing below. The HRA may deem and treat the person in whose name this Note is last registered upon the books of the HRA with such registration noted on this Note, as the absolute owner hereof, whether or not overdue, for the purpose of receiving payment of or on the account of the Principal Balance, redemption price or interest and for all other purposes, and all such payments so made to the Lender or upon its order shall be valid and effective to satisfy and discharge the liability upon this Note to the extent of the sum or sums so paid, and the HRA shall not be affected by any notice to the contrary.

11. All of the agreements, conditions, covenants, provisions and stipulations contained in the Resolution, the Mortgages, the Loan Agreement, the Assignment and the Pledge Agreement are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein.

12. This Note and the Series A Note and interest thereon and any service charge or premium, if any, due hereunder are payable solely from the revenues and proceeds derived from the Loan Agreement, the Mortgages, the Assignment and the Pledge Agreement and do not constitute a debt of the HRA or the City within the meaning of any constitutional or statutory limitation, are not payable from or a charge upon any funds other than the revenues and proceeds pledged to the payment thereof, and do not give rise to a pecuniary liability of the HRA or the City or any of its officers, agents or employees, and no holder of this Note shall ever have the right to compel any exercise of the taxing power of the HRA or the City to pay this Note or the interest thereon, or to enforce payment thereof against any property of the HRA or the City, and this Note does not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the HRA or the City, and the agreement of the HRA or the City to perform or cause the performance of the covenants and other provisions herein referred to shall be subject at all times to the availability of revenues or other funds furnished for such purpose in accordance with the Loan Agreement, sufficient to pay all costs of such performance or the enforcement thereof.

13. Upon a Determination of Taxability, as defined in the Loan Agreement, this Note shall convert to a taxable obligation and the interest rate for interest payable commencing the first (1st) day of the following month shall be adjusted to an interest rate per annum equal to the rate which would otherwise be in effect under this Note pursuant to paragraph 1 hereof multiplied by 1.5 (the "Taxable Rate") as such rate is adjusted, and principal and interest payments shall be reamortized.

14. If an Event of Default (as that term is defined in the Loan Agreement or the Mortgages) shall occur, then the Lender shall, among other things, have the right and option to (a) declare the Principal Balance and accrued interest thereon, immediately due and payable, whereupon the same, plus any premiums or service charges, shall be due and payable, but solely from sums made available under the Loan Agreement, the Mortgages, the Assignment and the Pledge Agreement and (b) adjust the interest rate for interest payable commencing the first (1^{st}) day of the following month to an interest rate per annum equal to 3.00% in excess of the rate of interest otherwise payable hereunder (the "Default Rate"); provided however that the maximum annual rate of interest payable hereunder will not exceed the maximum interest rate permitted by Minnesota law. Failure to exercise such options at any time shall not constitute a waiver of the right to exercise the same at any subsequent time.

15. If any payment of principal of or interest on this Note (including any payment due and payable on the Final Maturity Date) is not paid within ten (10) days of the due date thereof, the Borrower shall pay to the Lender a late charge equal to 5.00% of the amount of such payment.

16. The remedies of the Lender, as provided herein and in the Mortgages, the Loan Agreement, the Assignment and the Pledge Agreement, are not exclusive and shall be cumulative and concurrent and may be pursued singly, successively or together, at the sole

discretion of the Lender, and may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

17. The Lender shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Lender and, then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

18. This Note has been issued without registration under state or federal or other securities laws, pursuant to an exemption for such issuance; and accordingly this Note may not be assigned or transferred in whole or part, nor may a participation interest in this Note be given pursuant to any participation agreement, except in accordance with an applicable exemption from such registration requirements.

19. This Note shall be governed by the laws of the State of Minnesota.

20. This Note has been designated by the HRA as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist to happen and to be performed precedent to or in the issuance of this Note do exist, have happened and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the HRA has caused this Note to be duly executed in its name by the manual signatures of Chair and Executive Director, the corporate seal having been intentionally omitted as permitted by law, and has caused this Note to be dated as of September ____, 2013.

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA

By: ______________________________
Chair

By: ______________________________
Executive Director

PROVISIONS AS TO REGISTRATION

The ownership of the unpaid Principal Balance of this Note and the interest accruing thereon is registered on the books of the Housing and Redevelopment Agreement in and for the City of Wayzata in the name of the holder last noted below.

Date of Registration	Name and Address Registered Owner	Signature of HRA Executive Director
September __, 2013	Bremer Bank, National Association 4150 Second St. South St. Cloud, MN 56301 Attn: Commercial Real Estate	________________
________________	________________	________________
________________	________________	________________
________________	________________	________________

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LOAN AGREEMENT

BETWEEN

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA

AND

HAMMER RESIDENCES, INC.

Dated September __, 2013

The interest of the Housing and Redevelopment Authority in and for the City of Wayzata in this Loan Agreement has been assigned to Bremer Bank, National Association, pursuant to a Pledge Agreement of even date herewith.

This instrument was drafted by:

Briggs and Morgan, P.A. (TJH)
2200 IDS Center
80 South Eighth Street
Minneapolis, Minnesota 55402-2157
(612) 977-8400

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated September __, 2013 between the Housing and Redevelopment Authority in and for the City of Wayzata, Minnesota, a body corporate and politic duly organized and existing under the State of Minnesota (the "HRA"), and Hammer Residences, Inc., a Minnesota nonprofit corporation (the "Borrower"),

WHEREAS, at the request of the Borrower, the HRA has agreed to issue its revenue bonds in the form of the Notes, as hereafter defined, under the provisions of the Act to finance a portion of the costs of (a) refinancing the outstanding principal balance of the City of Wayzata (the "City") $2,500,000 Revenue Bond (Hammer Residence, Inc. Project) dated December 27, 2006, relating to certain of the Mortgagor's facilities in the City; (b) refinancing the outstanding principal balance of the City of Golden Valley ("Golden Valley") $800,000 Revenue Bond (Hammer Residences, Inc. Project) dated January 17, 2008, relating to certain of the Mortgagor's facilities, in Plymouth, MN ("Plymouth"); (c) refinancing the outstanding principal balance of City's $1,302,945.08 Refunding Revenue Bond (Hammer Residences, Inc. Project) dated July 1, 2010, relating to the Mortgagor's headquarters building located at 1909 Wayzata Boulevard in Wayzata (the "Headquarters"); (d) refinancing of certain conventional debt of the Mortgagor issued on November 11, 2009 and under a credit line used for capital improvements to certain of the Mortgagor's facilities in Wayzata, Plymouth and the City of Minnetonka, Minnesota ("Minnetonka"); and (e) additional capital expenditures including renovation and equipping and acquisition of database software for the Mortgagor's facilities in the City, Minnetonka, Plymouth and Golden Valley (collectively the "Project") as further provided herein and in the Resolution, hereinafter defined; and

WITNESSETH: That the HRA and the Borrower, each in consideration of the representations, covenants and agreements of the other as set forth herein, mutually represent, covenant and agree as follows:

ARTICLE 1
DEFINITIONS AND RULES OF INTERPRETATION

Section 1.1 Definitions. In this Loan Agreement the following terms have the following respective meanings unless the context hereof clearly requires otherwise:

Act: Minnesota Statutes, Chapter 462C and Sections 469.152 through 469.1655, as amended;

Assignment of Leases: the Assignment of Leases and Rents of even date herewith from the Borrower to the Lender, including any amendments or supplements thereto;

Assignment of Mortgage: The Assignment of Mortgage of even date herewith from the HRA to the Lender assigning the Housing Mortgage to the Lenders;

Bond Counsel: the firm of Briggs and Morgan, P.A., of Minneapolis, Minnesota, or any other firm of nationally recognized bond counsel experienced in tax exempt financing, selected by the City and acceptable to the Borrower and the Lender;

Borrower: Hammer Residences, Inc., a Minnesota nonprofit corporation, its successors and assigns;

City: the City of Wayzata, Minnesota, it successors and assigns;

Code: the Internal Revenue Code of 1986, as amended;

Costs of Issuance: all attorneys' fees and disbursements (including Bond Counsel and counsel for the HRA, the Borrower and the Lender), appraisal, environmental assessment, survey, title insurance and other fees incurred by the Borrower in connection with the issuance of the Notes;

Debt Service Coverage Ratio: means (i) the change in Borrower's Temporarily Restricted Net Assets, Permanently Restricted Net Assets and Board Designated Funds (as such terms are used in the Borrower's financial statements) at the end of the fiscal year, plus depreciation and amortization, plus interest expense divided by (ii) current maturities of long-term indebtedness plus interest expense (all the foregoing computed in accordance with GAAP).

Event of Default: any of the events described in Section 6.1 hereof;

"GAAP" means generally accepted accounting principles as applied in the preparation of the financial statement of the Borrower referred to in Section 4.9.

Headquarters Mortgage: the Mortgage, Security Agreement, and Fixture Financing Statement, of even date herewith, between the Borrower and the Lender, including any amendments or supplements thereto;

Housing Mortgage: the Mortgage, Security Agreement, and Fixture Financing Statement of even date herewith, between the HRA and the Borrower and assigned by the HRA to the Lender;

Lender: Bremer Bank, National Association, its successors and assigns;

Loan: the loan by the HRA to the Borrower of the proceeds of the Notes pursuant to this Loan Agreement;

Loan Agreement: this Loan Agreement, between the HRA and the Borrower, including any amendment hereof or supplement hereto;

Loan Repayments: the payments required of the Borrower pursuant to Sections 3.2 and 3.3 of this Loan Agreement;

Minimum Unrestricted Net Assets: the Borrower's Unrestricted Net Assets minus the Borrower's Total Liabilities (as such terms are used in the Borrower's financial statements).

Mortgages: the Headquarters Mortgage and the Housing Mortgage;

Notes: the Series 2013A Note and the Series 2013 B Note:

Pledge Agreement: the Pledge Agreement, of even date herewith, between the HRA and the Lender, including any amendment thereof or supplement thereto;

Project: shall have the meaning set forth in the recitals hereto and specifically include expenditures made or to be made to those facilities listed on Exhibit A hereto;

Project Costs: the costs of the Project and the Costs of Issuance;

Regulatory Agreement: the Regulatory Agreement of even date herewith between the Lender, the Borrower and any amendments or supplements thereto;

Resolution: the Resolution adopted September 5, 2013, by the Board of Commissioners of the HRA authorizing the issuance of the Notes and establishing the terms and conditions thereof.

Series 2013A Note: The HRA's $4,000,000 Multifamily Housing Revenue Note (Hammer Residences, Inc. Project) Series 2013A of even date herewith issued pursuant to the Resolution in favor of the Lender;

Series 2013B Note: The HRA's $1,500,000 Multifamily Housing Revenue Note (Hammer Residences, Inc. Project), Series 2013B of even date herewith, issued by the HRA pursuant to the Resolution in favor of the Lender;

Section 1.2 Rules of Interpretation.

(A) This Loan Agreement shall be interpreted in accordance with and governed by the laws of the State of Minnesota.

(B) The words "herein", "hereof" and "hereunder" and words of similar import, without reference to any particular section or subdivision, refer to this Loan Agreement as a whole rather than to any particular section or subdivision hereof.

(C) The article and section headings herein are for convenience only and shall not affect the construction hereof.

(D) References herein to any particular section or subdivision hereof are to the section or subdivision of this instrument as originally executed.

ARTICLE 2
REPRESENTATIONS

Section 2.1 Representations by the HRA. The HRA makes the following representation as the basis for its covenants herein:

(A) The HRA is a body corporate and public duly organized and existing under the laws of the State of Minnesota.

(B) In authorizing the issuance of the Notes to finance the Project the HRA has found that the Project will serve the public purposes set forth in the Act.

(C) In authorizing the issuance of the Notes, the HRA's purpose is, and in its judgment the effect thereof will be, to promote the establishment and retention of quality multifamily housing and nonprofit facilities within the Community and the general welfare of the general population.

(D) The issuance and sale of the Notes, the execution and delivery of this Loan Agreement, the assignment of this Loan Agreement to the Lender, and the performance of all covenants and agreements of the HRA contained in the Notes, the Pledge Agreement, the Assignment of Mortgage and this Loan Agreement have been duly authorized by resolutions of the governing body of the HRA adopted at meetings thereof duly called and held by the affirmative vote of not less than a majority of its members.

(E) To provide funds to finance the Project Costs, in anticipation of the receipt of Loan Repayments hereunder, the HRA has duly authorized the Notes to be issued upon the terms set forth in the Resolution, under the provisions of which the HRA has agreed to assign its interest therein to the Lender as security for the payment of the principal of and interest on the Notes.

(F) Pursuant to the Resolution and this Loan Agreement, the City has authorized and directed the Lender, as purchaser of the Notes, to advance and apply the proceeds of the Notes as provided herein.

(G) The execution and delivery of this Loan Agreement, the Pledge Agreement, the Assignment of Mortgage and the Notes will not constitute on the part of the City a breach of, or a default under, any existing (1) provision of any special legislative act, charter or other proceeding establishing or relating to the establishment of the HRA or its affairs or its resolutions or (2) agreement, indenture, mortgage, lease or other instrument to which the HRA is subject or is a party or by which it is bound.

(H) There is not pending or threatened any suit, action or proceeding against the HRA before or by any court, arbitrator, administrative agency or other governmental authority which materially and adversely affects the validity, as to the HRA, of this Loan Agreement, any of its obligations hereunder or any of the transactions contemplated hereby.

Section 2.2 Representations by the Borrower. The Borrower makes the following representations, upon which the Lender and the HRA may rely:

(A) The Borrower is a nonprofit corporation duly organized and validly existing under the laws of the State of Minnesota, is qualified to do business in the State of Minnesota and other states in which it conducts its business, and has full power to enter into this Loan Agreement and carry out its obligations hereunder, and by proper action has authorized the execution and delivery of this Loan Agreement, the Regulatory Agreement, the Assignment of Leases, and the Mortgages.

(B) The Borrower is a corporation described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code, and has received a determination letter from the Internal Revenue Service to that effect. There is no action, proceeding or investigation pending or threatened or any basis therefor by the Internal Revenue Service or authorities of the State of Minnesota which, if adversely determined, might result in a modification of the status of the Borrower as an organization which is exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

(C) The execution and delivery of this Loan Agreement, the Regulatory Agreement, the Assignment of Leases, and the Mortgages and the consummation of the transactions contemplated hereby and the fulfillment of the terms and conditions hereof do not and will not conflict with or result in a breach of any of the terms or conditions of the Articles of Incorporation or Bylaws of the Borrower or of any of the terms and conditions of any court order, judgment or decree, or any mortgage, indenture, loan agreement or other restriction dealing with money borrowed by the Borrower or any agreement or instrument to which the Borrower or any property of the Borrower is subject (except any conflict or breach which has been waived in a writing duly executed by the party having authority to so waive such conflict or breach), and do not and will not constitute a default under any of the foregoing or result in the creation or imposition of any lien, charge or encumbrance of any nature upon any property or assets of the Borrower contrary to the terms of any agreement or instrument to which the Borrower is a party or by which it is bound.

(D) The Borrower does not rely on any warranty of the HRA, either express or implied, that the Project will be suitable to the Borrower's needs and recognizes that under the Act the HRA is not authorized to operate the Project or to expend any funds thereon other than the revenues received by it therefrom or the proceeds of the Notes or other funds granted to it for purposes contemplated in the Act.

(E) There is no suit, action, proceeding or investigation pending or threatened or to the knowledge of Borrower any basis therefor at law or in equity or by or before any court, arbitrator, administrative agency or other federal, state or local governmental authority which individually or in the aggregate, if adversely determined, might have a material adverse effect on, or affect the validity as to the Borrower of, any of the transactions contemplated hereby or the ability of the Borrower to perform its obligations hereunder or as contemplated hereby.

(F) The Borrower has reviewed and approved the terms and conditions of the Notes.

(G) The Borrower has no current intention to sell or otherwise dispose of any part of the Project during the term of the Notes.

(H) No officer of the HRA who is authorized to take part in any manner in making this Loan Agreement or any contract contemplated hereby has taken any official action substantially affecting the same in which she/he, individually, or an organization with which she/he is associated has a substantial financial interest.

Section 2.3 Tax Covenants. The Borrower makes the following covenants regarding issues raised by the Code, upon which the Lender and the HRA may rely:

(A) The Project will be owned by the Borrower during the entire term of the Notes.

(B) No portion of the Project will be used by the Borrower in an unrelated trade or business, determined by the application of Section 513(a) of the Code.

(C) The Costs of Issuance financed by the Notes shall not exceed five percent (5%) of the proceeds thereof, and no more than five percent (5%) of the net proceeds of the Notes are to be used for any private business use as defined in Section 141(b)(6) of the Code (including the payment of Costs of Issuance).

(D) The payment of the principal of, or interest on, no more than five percent (5%) of the net proceeds of the Notes is (under the terms of the Notes or any underlying arrangement) directly or indirectly:

(1) secured by any interest in:

(i) property used or to be used for a private business use, or

(ii) payments in respect of such property; or

(2) to be derived from payments (whether or not to the HRA) in respect of property, or borrowed money, used or to be used for a private business use.

(E) The weighted average maturity of the Notes will not exceed the estimated remaining economic life of the property included in the Project by more than twenty percent (20%), all within the meaning of Section 147(b) of the Code.

(F) While the Notes remain outstanding, no portion of the proceeds of the Notes will be used to provide any airplane, skybox or other private luxury box, any facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(G) The Borrower covenants and certifies to and for the benefit of the Lender that no use will be made of the proceeds of the Notes which will cause the Notes to be classified as arbitrage bonds within the meaning of Section 148 of the Code and regulations promulgated thereunder. The Borrower will comply throughout the term of the Notes with the requirements of Section 148 of the Code and any regulations promulgated thereunder.

(H) In the event that the HRA shall be required to make any payments to the United States pursuant to Section 148(f) of the Code, the Borrower agrees to indemnify and reimburse the HRA to the full extent of such required payments.

(I) The Borrower has not leased, sold, assigned, granted or conveyed and will not lease, sell, assign, grant or convey all or any portion of the Project or any interest therein to the

United States or any agency or instrumentality thereof within the meaning of Section 149(b) of the Code.

Section 2.4 The Lender may Rely on Representations. The HRA and the Borrower agree that the representations contained in this Article 2 are for the use and benefit of the Lender, and the Lender shall be entitled to rely thereon, subject however, to the limitations on liability set forth in Section 7.6 hereof.

ARTICLE 3
THE LOAN

Section 3.1 Amount and Source of the Loan; HRA Fee. The HRA agrees to lend to the Borrower and the Borrower agrees to borrow from the HRA, upon the terms and conditions herein and in the Notes specified, the principal sum of $5,500,000 by having the proceeds of the Notes applied and disbursed in accordance with the provisions of this Loan Agreement. Forthwith upon the execution and delivery of this Loan Agreement and all other documents and instruments necessary to the transactions contemplated hereby and the recording and filing of such documents as may be required to be filed or recorded by the Lender or Bond Counsel, the HRA will execute the Notes and cause them to be delivered to the Lender. On the date hereof, the Borrower shall pay (from the proceeds of the Notes or otherwise) the HRA's issuance fee of $___________. The HRA shall use this fee to pay certain out-of-pocket costs incurred in connection with the issuance of the Notes.

Section 3.2 Repayment of the Loan. Subject to any rights of prepayment granted herein and in the Notes, the Borrower agrees to repay the Loan in installments on the dates and in amounts sufficient to provide for the prompt payment of all principal, interest and premium, if any, due and payable by the HRA pursuant to the Notes. The Borrower agrees to pay all Costs of Issuance.

All Loan Repayments hereunder shall be made directly to the Lender at its principal office for the account of the HRA.

Section 3.3 Determination of Taxability. If the holder of the Notes receives notice of a "Determination of Taxability" (as hereinafter defined), the rate of interest on the Notes shall be automatically increased, effective as of the "Date of Taxability" (as hereinafter defined), as described in the Notes, in which event the Loan Repayments required hereunder by the Borrower shall be adjusted in accordance with the increased payments required pursuant to the Notes. In such case, the Borrower agrees also to pay to the holder of the Notes forthwith an amount equal to the aggregate difference between (A) the amounts actually paid between the Date of Taxability and the date of receipt of notice of the Determination of Taxability and (B) the payments due during such period based upon the increased rate, together with the amount of interest and penalties, if any, incurred by the holder as a result of such change in taxable status. For the purpose of this section, a "Determination of Taxability" shall mean the issuance of a statutory notice of deficiency by the Internal Revenue Service, or a ruling of the National Office or any District Office of the Internal Revenue Service, or a final decision of a court of competent jurisdiction which holds that the interest payable on the Notes is includable in the gross income of the holder for federal income tax purposes if the period, if any, for contest or appeal of such action, ruling or decision by the Borrower or holder has expired without any such contest or appeal having been properly instituted by the holder or the Borrower. The expenses of any such contest shall be paid by the party initiating the contest and neither the Borrower nor the holder shall be required to contest or appeal any Determination of Taxability. The "Date of Taxability" shall mean that point in time, as specified in the determination, ruling or decision, that the interest payable on the Notes becomes includable in the gross income of the holder for federal income tax purposes.

Section 3.4 Notice of Proposed Taxability and Procedure Thereon. No such Determination of Taxability, however, shall be effective unless the Borrower has been given notice either (A) of the issuance of such statutory notice of deficiency within sixty (60) days of receipt of same by Lender, HRA or holder; or (B) of the issuance of such ruling of the National Office or any District Office of the Internal Revenue Service within three (3) months of receipt of such ruling by the holder, HRA or Lender (and if the ruling was requested by the holder, the Borrower received written notice that a ruling would be requested within thirty (30) days of its submission and a copy of the request within thirty (30) days of the date of its submission to the National Office or any District Office of the Internal Revenue Service); or (C) of commencement of any such proceeding in any court of competent jurisdiction (in which proceeding the Borrower shall be allowed to intervene or to assume responsibility for the contest or appeal, or both, in the name of the holder, if necessary in the Borrower's opinion) within three (3) months of such commencement and before final judgment in such proceeding. The provisions of this section shall survive payment of the Notes and termination of this Loan Agreement.

In the event an investigation or audit is commenced by the Internal Revenue Service questioning the federal income tax exemption of the interest payable on the Notes or in the event the holder, or the Borrower on behalf of the holder, chooses to contest any statutory notice of deficiency, ruling of the Internal Revenue Service or judgment of a court of competent jurisdiction, the holder, at its election, may increase the rate of interest on the Notes to the level set forth above, and require that the Borrower make Loan Repayments based upon such increased rate pending the final results of such investigation, suit or contest. The additional funds collected as a result of the rate increase shall be placed in escrow by the holder and shall bear interest at a rate no greater than the original rate of interest on the Notes. In the event the contest is resolved in favor of the Borrower, and the interest on the Notes continues to be exempt from federal income taxation, the funds held in such escrow account shall be returned to the Borrower and shall in no event be used to pay any interest or principal on the Notes. In the event the contest is resolved against the holder and the Borrower and interest payable on the Notes is held to be subject to federal income taxation, the amount on hand in the escrow account shall be applied to the additional Loan Repayments then due pursuant to this section, with any excess returned to the Borrower.

In the event the HRA incurs any costs as a result of an Internal Revenue Service investigation or audit with respect to the Notes, such costs shall be paid by the Borrower.

Section 3.5 The Borrower's Obligations Unconditional. All Loan Repayments and all other payments required of the Borrower hereunder shall be paid without notice or demand (except as provided herein and in the Notes) and without setoff, counterclaim, abatement, deduction or defense. The Borrower will not suspend or discontinue any payments, and will perform and observe all of its other agreements in this Loan Agreement and, except as expressly permitted herein, will not terminate this Loan Agreement for any cause, including, but not limited to, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of the HRA or the Lender, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State of Minnesota or any political subdivision thereof or failure of the HRA or the Lender to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with this Loan Agreement, the Mortgages or the Notes.

Section 3.6 Disbursement of the Loan.

(1) Pursuant to the Resolution and the Act, the HRA has authorized the Borrower to provide directly for the refinancing, acquisition and installation in such manner as determined by the Borrower and hereby authorizes the Lender to disburse the proceeds of the Notes directly to the Borrower for the payment of Project Costs in accordance with this Loan Agreement.

(2) On the date hereof all of the proceeds of the Series 2013A Note will be disbursed and used as follows: $______________ to pay off certain tax exempt and taxable debt of the Borrower relating to the Project; $______________ to reimburse the Borrower for capital expenditures related to the Project, and $______________ to pay Costs of Issuance. The Principal Balance of the Series 2013B Note will be advanced after the date hereof and disbursed for acquisition and installation of software in the Headquarters and future capital expenditures with respect to the Project.

(3) To request disbursement of Series 2013B Note proceeds the Borrower shall deliver to the Lender a signed draw request in the form attached hereto as Exhibit B. Upon request of the Lender, the Company shall furnish receipts, invoices or cancelled checks from contractors, subcontractors or materialmen and any other documents which may be deemed necessary by the Lender.

(4) Notwithstanding anything contained in this Section 3.6 in no event shall any Notes proceeds be used to pay any costs not authorized to be paid from the proceeds of such Notes under the Act or to pay any issuance costs in excess of $110,000 in the aggregate.

(5) In making any disbursement of Note proceeds as provided herein, the Lender may rely on any requisitions and certificates delivered to it pursuant to the requirements hereof. The Lender shall have no liability with respect to any payments made in accordance with any such requisitions and certificates and shall have no responsibility to inspect the Project or make any other investigation. The Lender shall be protected in acting upon any requisition, certificate, opinion of counsel, direction or other document believed to be genuine and correct and to have been signed or sent by the proper person or persons.

(6) The Borrower shall proceed promptly to complete the Project which completion is expected to occur no later than September 1, 2015.

ARTICLE 4
THE BORROWER'S COVENANTS

Section 4.1 Assignment. The Borrower recognizes the authority of the HRA to assign its interest in and pledge all moneys receivable under this Loan Agreement (other than any payments required to be made to the HRA under Sections 3.1, 4.3 or 6.4 hereof) to the Lender as security for the payment of the principal of and interest on the Notes and the payment of all fees and expenses of the Lender and others as provided herein. The Borrower consents to the foregoing assignment.

Section 4.2 General Covenants of the Borrower. The Borrower covenants and agrees with the HRA and the Lender that it will:

(A) Conduct the same general type of business as it presently conducts, maintain its existence as a Minnesota nonprofit corporation described in Section 501(c)(3) of the Code, remain duly qualified to do business in the State of Minnesota and not dispose of all or substantially all of its assets or consolidate with or merge into another corporation or permit any other corporation to consolidate with or merge into it without the consent of the Lender. No disposition of assets, consolidation or merger shall be undertaken by the Borrower if the effect thereof would be to cause the interest payable on the Notes to become subject to federal income taxation. Every surviving, resulting or transferee corporation shall be bound by all of the covenants and agreements of the Borrower herein with respect to any further sale or transfer. Consent as to any one transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions;

(B) Repay the Loan by making the Loan Repayments required to be made hereunder, which payments will be at all times sufficient to provide for the prompt payment of the principal of, interest on and any other sums and indebtedness due under the Notes;

(C) Pay or cause to be paid all expenses of the renovation, operation and maintenance of the Project, including insurance;

(D) Permit the use of the Project only in furtherance of the lawful corporate purposes of the Borrower and in accordance with Section 501(c)(3) of the Code, and not permit the use of the Project or any part thereof primarily for sectarian instruction or study or as a place for devotional study or religious worship or in a manner which is prohibited by (a) the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same, or (b) any comparable provision of the constitution of the State of Minnesota and the decisions of the Minnesota Supreme Court interpreting the same; and

(E) Comply throughout the term of the Notes with all requirements of the Code, and any regulations promulgated thereunder, to assure that interest on the Notes shall at all times be free from federal income taxation.

Section 4.3 Indemnity. The Borrower will pay, and will protect, indemnify and save the HRA, the City and the Lender, their officers, employees and agents harmless from and against, all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees), causes of action, suits, claims, demands and judgments of any nature arising from:

(A) Any injury to or death of any person or damage to property in or upon the Project or growing out of or connected with the use, non-use, condition or occupancy of the Project or any part thereof;

(B) Any violation of any agreement or covenant of this Loan Agreement, except by the HRA, the City or the Lender as the case may be;

(C) Any violation of any contract, agreement or restriction by the Borrower relating to the Project;

(D) Any violation by the Borrower of any law, ordinance or regulation affecting the Project or any part thereof or the ownership, occupancy or use thereof;

(E) Any statement or information relating to the expenditure of the proceeds of the Notes contained in the "Arbitrage Certificate" or similar document furnished by the Borrower to the HRA or the Lender which, at the time made, is misleading, untrue or incorrect in any material respect; and

(F) Any action taken in good faith by the HRA or the Lender, their officers and employees, to carry out the transaction contemplated by this Loan Agreement, including, but not limited to, the issuance and sale of the Notes.

The provisions of this section shall survive payment of the Notes and termination of this Loan Agreement.

Section 4.4 Reports to Governmental Agencies. The Borrower will furnish to agencies of the State of Minnesota such periodic reports or statements as they may reasonably require throughout the term of this Loan Agreement, or, to the extent the HRA is required to furnish such reports, will cooperate with the HRA in furnishing all information reasonably necessary and will indemnify the HRA for any costs incurred.

Section 4.5 Lease or Sale of Project. The Borrower shall not lease, sell, convey, mortgage, encumber or otherwise transfer the Project in whole or part, nor sell the Project in whole or part, without first securing the written consent of the Lender (except for leases or occupancy agreements in the Project made in the ordinary course of Borrower's business).

Section 4.6 Project Operation and Maintenance Expenses. The Borrower shall pay all expenses of the operation and maintenance of the Project including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof and all taxes and special assessments levied upon or with respect to the Project and payable during the term of this Agreement, all in conformance with the provisions of the Mortgages. The Borrower shall keep the Project in good working order and condition, subject to ordinary wear and tear.

Section 4.7 Access. The Borrower grants to the Lender and to the Lender's agents access to the Project at any reasonable time during normal business hours in order to inspect the Project and the Borrower's other property that is subject to the lien of the Mortgages.

Section 4.8 Access to Books and Inspection. The Borrower shall keep proper books of record and accounts with respect to the use and operation of the Project, and, subject to any privacy laws applicable to Borrower, upon request of the Lender, provide any duly authorized representative of the Lender access during normal business hours to, and permit such representative to examine, copy or make extracts from, or audit any and all books, records and documents relating to the Project, the Borrower's affairs and to inspect any of its facilities and properties. (The Lender shall be permitted to disclose the information contained therein to its legal counsel, its independent public accountants, any participating lenders, or in connection with any action to collect any indebtedness of the Borrower or to enforce this Agreement and the documents related hereto, or as otherwise permitted or required by law).

Section 4.9 Financial Statements, Reports, Certificates. The Borrower agrees to furnish to the Lender:

(A) As soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, the annual financial statements of the Borrower prepared on a consolidated basis and in conformity with GAAP, signed by the Borrower's chief financial officer, consisting of at least consolidated statements of income and cash flows for such year and a consolidated balance sheet of the Borrower as at the end of such year;

(B) As soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year, a copy of the quarterly financial statement of the Borrower prepared in the same manner as the financial statements referred to in (A), signed by the Borrower's chief financial officer, consisting of at least consolidated statements of income and cash flows for such quarter and for the period from the beginning of such fiscal year to the end of such quarter, and a consolidated balance sheet of the Borrower as at the end of such quarter;

(C) as soon as available, a copy of all inspection reports issued by any governmental or regulatory agency with respect to any portion of the Project, and, to the extent any violations are noted therein, the actions which the Borrower has taken and/or intends to take with respect thereto; and

(D) from time to time, with reasonable promptness, such further information regarding the business, operations, affairs and financial and other condition of the Borrower and the Project as the Lender may reasonably request.

Section 4.10 Debt Service Coverage Ratio. Maintain as of the last day of each fiscal year, a Debt Service Coverage Ratio, for the immediately preceding period of four fiscal quarters ending on such date, of not less than 1.10 to 1.00.

Section 4.11 Minimum Unrestricted Net Assets. Maintain at all times, and verified as of the last day of each fiscal quarter, Minimum Unrestricted Net Assets of not less than $10,000,000

ARTICLE 5
THE BORROWER'S OPTIONS

Section 5.1 Prepayment of the Loan and the Notes. The Borrower shall have, and is hereby granted, the option to prepay the Loan, in whole or in part, on any installment payment date at par plus accrued interest, and plus any prepayment penalty described in the Notes. Any partial prepayment shall be applied against the principal portion of the installments due under this Loan Agreement consistent with the application provided in the Notes. In the event the Borrower elects to prepay the Loan, the Borrower shall cause to be given in the name of the HRA due notice of redemption or prepayment of the Notes as required by the Notes, and shall pay the prepayment price when due to the Lender. The HRA hereby authorizes the Borrower to give mailed notice of prepayment and, if required by law, published notice of prepayment of the Notes in the name of the City, from time to time.

Section 5.2 Termination Upon Retirement of the Notes. At such time as no principal balance on the Notes remains outstanding, and arrangements satisfactory to the Lender and the HRA have been made for the discharge of all other accrued liabilities, if any, under this Loan Agreement, this Loan Agreement shall by its terms terminate.

ARTICLE 6
EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default. Any one or more of the following events is an Event of Default under this Loan Agreement:

(A) If the Borrower shall fail to pay any Loan Repayment required under this Loan Agreement on or before the date that the payment is due;

(B) If the Borrower shall fail to observe and perform any other covenant, condition or agreement on its part under this Loan Agreement, the Regulatory Agreement or the Mortgages for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, given to the Borrower by the HRA or the Lender, unless the Lender shall agree in writing to an extension of such time prior to its expiration or the Borrower has begun to take all steps reasonably necessary to remedy such default;

(C) If the Borrower shall file a petition in bankruptcy or for reorganization or for an assignment pursuant to any present state law, or shall make an assignment for the benefit of its creditors or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer seeking a reorganization, arrangement with creditors or similar relief under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof, or a receiver, trustee or liquidator of the Borrower, or of all or substantially all of the assets of the Borrower, or of the Project, shall be appointed in any proceeding brought against the Borrower and shall not be discharged within ninety (90) days after such appointment or if the Borrower shall consent to or acquiesce in such appointment;

(D) Any representation or warranty made by the Borrower in this Loan Agreement or by the Borrower in any certificate, document or instrument furnished in connection with the issuance and sale of the Notes or under the terms of this Loan Agreement is untrue in any material respect.

Section 6.2 The HRA's Remedies. Whenever any Event of Default referred to in Section 6.1 shall have happened and be subsisting, any one or more of the following remedial steps may be taken by the HRA, with the prior written consent of the Lender, or by the Lender, pursuant to Section 6.6 hereof:

(A) Declare the principal amount of all Loan Repayments payable under this Loan Agreement for the remainder of the term of this Loan Agreement with interest accrued thereon (being an amount equal to that necessary to pay in full the Notes assuming acceleration of the Notes and pay all other indebtedness thereunder) to be immediately due and payable, whereupon, without further notice, the same shall become immediately due and payable by the Borrower;

(B) Require the Borrower to furnish copies of all books and records of the Borrower pertaining to the Project, with the exception of any records the confidentiality of which is protected by laws and regulations applicable to Borrower; or

(C) Take whatever action under the Mortgages and Assignment of Leases at law or in equity may appear necessary or appropriate to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement, the Regulatory Agreement or the Mortgages.

Section 6.3 Manner of Exercise. No remedy herein conferred upon or reserved to the HRA and the Lender is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the HRA or the Lender to exercise any right reserved to it in this Article, it shall be necessary to give only such notice as may be herein or therein expressly required, but no remedy shall be exercised by the HRA without the prior written consent of the Lender.

Section 6.4 Attorneys' Fees and Expenses. In the event the Borrower should default under any of the provisions of this Loan Agreement and the HRA or the Lender should employ attorneys or incur other expenses for the collection of payments or the enforcement of performance of any obligation or agreement on the part of the Borrower, the Borrower will on demand and receipt of an accounting therefor pay to the HRA or the Lender, respectively, the reasonable fee of such attorneys and such other reasonable and necessary expenses so incurred.

Section 6.5 Effect of Waiver. The Lender may, in its discretion, waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration of principal; provided, however, that no action or inaction by the Lender shall be deemed a waiver of any of the Lender's rights or remedies unless the Lender specifically agrees in writing that such action or inaction will constitute a waiver of its rights or remedies. Any waiver shall only apply to the particular instance for which it was agreed. No delay by either party in exercising and no failure by either party in exercising any right or remedy hereunder, or afforded by law, shall be a waiver of or preclude the exercise of any right or remedy hereunder, or provided by law, whether on such occasion or any future occasion, nor shall such delay be construed to be a waiver of any Event of Default or acquiescence therein. The exercise or the beginning of the exercise of one right or remedy shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy.

Section 6.6 The Lender's Exercise of the HRA's Remedies. Whenever any Event of Default shall have happened and be subsisting the Lender may, but shall not be obliged to, exercise any or all of the rights of the HRA under this Article 6, upon notice as required of the HRA unless the HRA has already given the required notice.

Section 6.7 Application of Money. The proceeds and avails of any remedy hereunder shall be applied as follows:

(A) First, to the payment of all costs and proper expenses (including reasonable attorneys' fees as permitted by law), liabilities incurred or advances made hereunder by the HRA or the Lender;

(B) Second, to the payment to the Lender, on behalf of the HRA, of the amount then owing or unpaid for principal and interest due on the Notes and in case any such proceeds shall be insufficient to pay the whole amount so due, then first to the payment of interest thereon and then to the payment of principal;

(C) Third, to the payment of any excess to the Borrower, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

ARTICLE 7
GENERAL

Section 7.1 Notices. All notices of an Event of Default hereunder shall be sufficiently given when delivered in person to an officer of the Borrower or when mailed by certified or registered mail, postage prepaid, to the Borrower with proper address as indicated in this section. All other notices, certificates and communications hereunder are properly and sufficiently given when delivered in person to an officer of the party to whom directed or when mailed to such party by regular mail, postage prepaid, with proper address as indicated in this section. All mailed notices, certificates and communications shall be deemed given three (3) days after the date of deposit in the mail. The HRA, the Borrower and the Lender may, by written notice given by each to the others, designate any other address or addresses to which notices, certificates or other communications or matters to them shall be sent when required as contemplated by this Loan Agreement. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To the HRA:	Housing and Redevelopment Authority in and for the City of Wayzata 600 Rice Street E Wayzata, MN 55391-1734 Attention: City Administrator
To the Borrower:	Hammer Residences, Inc. 1909 E. Wayzata Boulevard Wayzata, MN 55391 Attention: Chief Financial Officer
To the Lender:	Bremer Bank, National Association 4150 Second Street South St. Cloud, MN 56301 Attention: Sarah T. Barthel

Section 7.2 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the HRA and the Borrower and their respective successors and assigns.

Section 7.3 Severability. If any term, condition or provision of this Loan Agreement or the application thereof to any person or circumstance shall, to any extent, be held to be invalid or unenforceable, the remainder thereof and the application of such term, provision and condition to persons or circumstances other than those as to whom it shall be held invalid or unenforceable shall not be affected thereby, and this Loan Agreement and all the terms, provisions and conditions hereof shall, in all other respects, continue to be effective and be complied with to the full extent permitted by law.

Section 7.4 Amendments, Changes and Modifications. This Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Lender. This Loan Agreement, except for the provisions of Sections 3.1, 3.2, 4.3, 4.4, 6.4 and 7.6, may be amended by written agreement of the Lender and the Borrower without the consent of the HRA.

Section 7.5 Execution Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.6 Limitation on the HRA's Liability. No agreement or provision contained in this Loan Agreement or any agreement, representation, covenant or undertaking by the HRA contained in any document executed by the HRA in connection with the Project shall give rise to any pecuniary liability of the HRA or the City or a charge against their general credit or taxing powers, or shall obligate the HRA or the City financially in any way except with respect to the Loan Agreement and the application of revenues therefrom and the proceeds of the Notes. No failure of the HRA to comply with any term, condition, covenant or agreement herein shall subject the HRA or the City to liability for any claim for damages, costs or other financial or pecuniary charges except to the extent that the same can be paid or recovered from the Loan Agreement or revenues therefrom or proceeds of the Notes.

[Remainder of page is blank; signature page follows]

IN WITNESS WHEREOF, the City and the Borrower have caused this Loan Agreement to be executed in their respective names, all as of the date first above written.

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA

By ______________________________________
Its Chair

By ______________________________________
Executive Director

Signature page to Loan Agreement

HAMMER RESIDENCES, INC.

By ___________________________________
Its Secretary

Signature page to Loan Agreement

EXHIBIT A

ADDRESSES FOR THE PROJECT

EXHIBIT B

FORMAT OF DRAW REQUEST

Housing and Redevelopment Authority in and for the City of Wayzata $1,500,000 Revenue Note (Hammer Residences, Inc. Project), Series 2013

DRAW REQUEST NO. __ FOR DISBURSEMENT OF FUNDS UNDER THE NOTE

To: Bremer Bank, National Association

The undersigned being the Chief Financial Officer of Hammer Residences, Inc. (the "Borrower") does hereby certify pursuant to Section 3.6 of the Loan Agreement, dated as of September __, 2013 (the "Loan Agreement") between the Housing and Redevelopment Authority in and for the City of Wayzata and the Borrower, as follows:

(A) I have read such Section 3.6 and the definitions in the Loan Agreement relating thereto. All capitalized terms used in this Request have the meaning given to them in the Loan Agreement. This Request is being delivered to the Lender in accordance with such Section 3.6.

(B) $________________ is requested to be advanced under the Series 2013B Note.

(C) Each item of cost for which payment or reimbursement is requested is or was necessary in connection with the Project, and qualifies as an item of Project Costs under the Loan Agreement.

(D) There has not been filed with or served upon the Borrower any notice of any lien, right to a lien or attachment upon or claim affecting the right of any such person to receive payment of the amount stated in this Request that has not been released or will not be released simultaneously with the payment of such obligation, except for liens arising from indebtedness then being diligently contested in good faith by the Borrower.

(E) No item of Project Costs requested to be paid or reimbursed by this Request has formed the basis for any previous payment from the Project Fund.

(F) No default by the Borrower under the Loan Agreement has occurred that has not been cured.

(G) All Project Costs now or heretofore certified for payment or paid from the Series 2013A and 2013B Notes do not cause the average weighted maturity of the Notes to exceed 120% of the average reasonably expected economic life of the Project, financed from the Notes.

(H) All representations and warranties made by the Borrower in the Loan Agreement are true and correct on and as of the date of this Request with the same effect as if made on this date.

You are hereby requested to advance under the Series 2013B Note and disburse to the Borrower amount requested in paragraph 2 above and supported by the attachments to reimburse the Borrower for such Project Costs.

Dated: __________________

HAMMER RESIDENCES, INC.,
a Minnesota nonprofit corporation

By_________________________________
Its Chief Financial Officer

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT, dated September __, 2013, between the HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA, a political subdivision duly organized and existing under the laws of the State of Minnesota (the "HRA"), and BREMER BANK, NATIONAL ASSOCIATION (the "Lender");

WITNESSETH:

WHEREAS, the HRA has issued its $5,500,000 Multifamily Housing Revenue Notes (Hammer Residences, Inc. Project) Series 2013A and B, of even date herewith in favor of the Lender (the "Notes"); and

WHEREAS, the HRA has entered into a Loan Agreement of even date herewith ("Loan Agreement") with Hammer Residences, Inc., a Minnesota nonprofit corporation (the "Borrower") and an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, whereby the HRA will loan the proceeds of the Notes to the Borrower and the Borrower will repay the loan upon the terms set forth therein; and

WHEREAS, the HRA is desirous of further securing the Notes and of inducing the Lender to advance funds thereon to the Borrower on behalf of the HRA.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. In order to secure the due and punctual payment of the Notes, the HRA does hereby grant to the Lender a security interest in all of the HRA's right, title, and interest in and to the Loan Agreement, including, but not limited to, the HRA's right to receive Loan Repayments (except the HRA's right to an issuer fee under Section 3.1 of the Loan Agreement, indemnification under Section 4.3 of the Loan Agreement and attorneys' fees and expenses under Section 6.4 thereof).

2. The HRA hereby represents to the Lender that the HRA is the owner of the Loan Repayments under the Loan Agreement pledged to the payment of the Notes pursuant to this Pledge Agreement, and of all rights incident thereto, free and clear of any lien, security interest, or other encumbrance other than the security interest arising hereunder.

3. The HRA hereby authorizes the Lender to exercise, whether or not an Event of Default has occurred under the Loan Agreement, either in the HRA's name or the Lender's name, any and all rights or remedies available to the HRA under the Loan Agreement. The HRA agrees, on request of the Lender, to execute and deliver to the Lender such other documents or instruments as shall be deemed necessary or appropriate by the Lender at any time to confirm or perfect the security interest hereby granted.

4. The HRA will not:

(a) exercise or attempt to exercise any remedies under the Loan Agreement, or terminate, modify, or accept a surrender of, or offer or agree to any termination, modification, or surrender of the same, or, by affirmative act, consent to the creation or existence of any security interest or other lien in the Loan Agreement to secure payment of any other indebtedness; or

(b) receive or collect or permit the receipt or collection of any payments, receipts, rentals, profits, or other moneys under the Loan Agreement, or assign, transfer or hypothecate (other than to the Lender hereunder) any of the same then due or to accrue in the future.

5. The HRA expressly covenants and agrees that the Lender shall be entitled to receive all payments under the Loan Agreement, other than any payments made by the Borrower for the HRA's fee under Section 3.1 thereof, for the HRA's right of indemnification contained in Section 4.3 thereof and for the HRA's attorneys' fees and expenses under Section 6.4 thereof, and pursuant to the Loan Agreement the Borrower has agreed to make such payments directly to the Lender. The Lender covenants and agrees that all payments received by the Lender under the Loan Agreement shall be applied to the payment of principal of and interest and premium, if any, and other indebtedness, if any, on the Notes.

6. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all the covenants, promises, and agreements in this Pledge Agreement contained by or on behalf of the HRA or the Lender shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7. The unenforceability or invalidity of any provision or provisions of this Pledge Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

8. This Pledge Agreement shall in all respects be construed in accordance with and governed by the laws of the State of Minnesota. This Pledge Agreement may not be amended or modified except in writing signed by the HRA and the Lender.

9. This Pledge Agreement may be executed, acknowledged, and delivered in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

10. The terms used in this Pledge Agreement which are defined in the Loan Agreement shall have the meanings specified therein unless the context of this Pledge Agreement otherwise requires, or unless such terms are otherwise defined herein.

11. The Lender recognizes and agrees to the limitation of the HRA's liability as set forth in Section 7.6 of the Loan Agreement. The Lender recognizes and understands that the Notes are limited obligations of the HRA payable solely from payments derived pursuant to the Loan Agreement and from the property which secures payment of the Notes. The Lender

recognizes and understands that the Notes and the interest thereon shall never constitute a debt of the HRA or of the City of Wayzata (the "City") within the meaning of any constitutional provision or statutory limitations and shall never constitute or give rise to a pecuniary liability of the HRA or the City or a charge against the HRA's or the City's general credit or taxing power. The Lender recognizes and understands that the Notes does not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the HRA or the City, except revenues under the Loan Agreement, and the agreement of the HRA to perform or cause the performance of the covenants and other provisions set forth in the Notes shall be subject at all times to the availability of revenues from the Loan Agreement sufficient to pay all costs of such performance or the enforcement thereof.

12. The Lender recognizes and agrees that the HRA has no pecuniary liability to the Lender or any subsequent holder for the HRA's failure to investigate, or negligence in the investigation of, the financial position or prospects of the Borrower or for failure of the HRA to consider, or negligence in the consideration of, the adequacy of terms of, or collateral security for, the Notes or any related agreement. The Lender recognizes and agrees that the HRA has no liability in connection with the issuance or sale of the Notes concerning representations made by or for performance of the obligation of any person who is a party to a related transaction or agreement, except as is specifically provided in this Pledge Agreement, the Loan Agreement and the Notes.

13. The Lender hereby accepts and confirms its obligation to disburse the proceeds of the Notes as described in Section 3.6 of the Loan Agreement.

[Remainder of Page Intentionally blank. Signature Page Follows.]

IN WITNESS WHEREOF, the HRA and the Lender have caused this Pledge Agreement to be duly executed as of the day and year first above written.

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA, MINNESOTA

By ______________________________
Its Chair

By ______________________________
Its Executive Director

Signature page to Pledge Agreement

BREMER BANK, NATIONAL
ASSOCIATION, as Lender

By ______________________________________
Its ____________________________________

Signature page to Pledge Agreement

SPACE ABOVE THIS LINE FOR RECORDER'S USE

This Mortgage, Security Agreement and Fixture Financing Statement contains after-acquired property provisions and constitutes a fixture financing statement under Minnesota Statutes, Section 336.9-313.

This Mortgage is exempt from Registry Tax pursuant to Minnesota Statutes, § 287.04(g)

The Maximum principal indebtedness secured by this Mortgage is $3,680,000

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA
MULTI FAMILY HOUSING REVENUE NOTES (HAMMER RESIDENCES, INC. PROJECT) SERIES 2013A AND B

MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT

Dated September __, 2013

HAMMER RESIDENCES, INC., AS MORTGAGOR
and
HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA, AS MORTGAGEE

This instrument was drafted by:
Briggs and Morgan, P.A. (TJH)
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402

MORTGAGE, SECURITY AGREEMENT
AND
FIXTURE FINANCING STATEMENT

This MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT dated September __, 2013 (this "Mortgage"), is between HAMMER RESIDENCES, INC., a Minnesota nonprofit corporation, as mortgagor (the "Mortgagor"), and the HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA, as mortgagee (the "HRA" and together with its successors and assigns as mortgagee hereunder, the "Mortgagee").

W I T N E S S E T H:

WHEREAS, the Mortgagor and the HRA are entering into a Loan Agreement dated the date hereof (the "Loan Agreement") pursuant to which the HRA will lend to the Mortgagor, the proceeds of its $4,000,000 Multifamily Housing Revenue Note (Hammer Residences, Inc. Project), Series 2013A and its $1,500,000 Multifamily Housing Revenue Notes (Hammer Residences, Inc. Project), Series 2013B (collectively, the "Notes") payable to Bremer Bank, National Association (the "Lender"), maturing and payable in full on ___________, 2025; and

WHEREAS, the HRA will loan the proceeds of the Notes to the Mortgagor to finance of a portion of the costs of (a) refinancing the outstanding principal balance of the City of Wayzata ("Wayzata") $2,500,000 Revenue Bond (Hammer Residence, Inc. Project) dated December 27, 2006, relating to certain of the Mortgagor's facilities in Wayzata; (b) refinancing the outstanding principal balance of the City of Golden Valley ("Golden Valley") $800,000 Revenue Bond (Hammer Residences, Inc. Project) dated January 17, 2008, relating to certain of the Mortgagor's facilities, in Plymouth, MN ("Plymouth"); (c) refinancing the outstanding principal balance of Wayzata's $1,302,945.08 Refunding Revenue Bond (Hammer Residences, Inc. Project) dated July 1, 2010, relating to the Mortgagor's headquarters building located at 1909 Wayzata Boulevard in Wayzata (the "Headquarters"); (d) refinancing of certain conventional debt of the Mortgagor issued on November 11, 2009 and under a credit line used for capital improvements to certain of the Mortgagor's facilities in Wayzata, Plymouth and the City of Minnetonka, Minnesota ("Minnetonka"); and (e) additional capital expenditures including renovation and equipping and acquisition of database software for the Mortgagor's facilities in Wayzata, Minnetonka, Plymouth and Golden Valley (collectively, the "Project"); and

WHEREAS, the HRA and the Lender, the purchaser of the Notes, will enter into a Pledge Agreement dated the date hereof (the "Pledge Agreement"), pursuant to which the HRA will assign to the Lender as security for repayment of the Notes, all rights and interests of the HRA in the Loan Agreement (except for the rights of the HRA under Sections 3.1, 4.3 and 6.4 thereof); and

WHEREAS, the Lender and the Mortgagor will enter into a Regulatory Agreement dated the date hereof (the "Regulatory Agreement") relating to multifamily rental occupancy restrictions on certain of the facilities included in the project); and

NOW, THEREFORE, in consideration of the purchase of the Notes by the Lender and the issuance of the Notes by the HRA and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to secure the due and punctual payment of any and all liabilities of the Mortgagor under the Loan Agreement, including (without limitation) Loan Repayments (as defined in the Loan Agreement) in the amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Notes, to secure payment of the Notes and all interest accruing thereon and to secure the payment of all fees and expenses and advances of the Mortgagee and the Lender under the Loan Agreement, the Assignment (as defined herein), the Regulatory Agreement, the Pledge Agreement and this Mortgage, the Mortgagor does hereby grant, bargain, sell, convey, and assign to the Mortgagee, its successors and assigns, a lien on and security interest in, and does hereby mortgage and pledge unto the Mortgagee, its successors and assigns, forever, with power of sale, the following:

I.

All of its right, title and interest in and to the tracts, parcels and interests in land described in Exhibit A hereto (the "Land"), and the buildings, structures and other improvements now standing or at any time hereafter constructed or placed upon the Land by Mortgagor (collectively, the "Building"), including, but not limited to (i) all building materials, supplies and equipment now or hereafter located on the Land and suitable or intended to be incorporated in any building, structure, or other improvement located or to be erected on the Land, (ii) all heating, plumbing and lighting apparatus, motors, engines and machinery, electrical equipment, incinerator apparatus, air conditioning equipment, water and gas apparatus, pipes, faucets, and all other fixtures of every description which are now or may hereafter be placed or used upon the Land or in any building or improvement now or hereafter located thereon, (iii) all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds to and of any and all of the foregoing, and (iv) all hereditaments, easements, appurtenances, estates, access rights, and other rights and interests now or hereafter belonging to or in any way pertaining to the Land or to the Building or any building or other improvement now or hereafter located thereon.

II.

All rents now due or which may hereafter become due to Mortgagor under or by virtue of any lease, license, sublease, or agreement, whether written or verbal, for the use or occupancy of the Land, the Building or any part thereof (the "Rents").

III.

Any and all awards or compensation made to Mortgagor by any governmental or other lawful authorities for the taking or damaging by eminent domain of the whole or any part of the Land or the Building, including any award for a temporary taking, change of grade of streets or taking of access, and any and all insurance proceeds for loss or damage to the Building (the "Awards").

IV.

The equipment, including furniture, owned by the Mortgagor and located on the Land, and all replacements and substitutions therefor (the "Equipment").

V.

All other rights and interests in property, whether tangible or intangible, required to be subject to the lien hereof, or from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Mortgagor or by anyone on its behalf or with its written consent to the Mortgagee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD the Land, the Building, the Rents, the Awards and the Equipment (the "Mortgaged Property"), together with all privileges, hereditaments and appurtenances thereunto now or hereafter belonging, or in anywise appertaining, and the proceeds thereof, unto the Mortgagee, its successors and assigns forever.

PROVIDED, NEVERTHELESS, that if the Mortgagor shall pay or cause to be paid to the Mortgagee the principal sum of Three Million Six Hundred Eighty Thousand Dollars ($3,680,000) under the Notes, with interest, according to the true intent and meaning of the terms of the Notes, all of the terms of which are hereby made a part of this Mortgage to the same extent and with the same effect as if they were fully set forth herein, and shall also pay all other sums, with interest thereon, as may be advanced by the Mortgagee in accordance with this Mortgage, either to protect the lien of this Mortgage, or by way of additional loan or for any other purpose, and shall also keep, perform and observe, all and singular, the conditions and covenants contained in this Mortgage, the Loan Agreement, the Assignment and the Regulatory Agreement, which are to be kept, performed and observed by the Mortgagor, then this Mortgage shall be null and void, in which event the Mortgagee will execute and deliver to the Mortgagor, in form suitable for recording, a full release of this Mortgage, otherwise this Mortgage shall remain in full force and effect.

And the Mortgagor for itself, its successors and assigns, does covenant with the Mortgagee, its successors and assigns, that it is lawfully seized of the Land in fee simple; that it has good right and title to sell and convey the Mortgaged Property; that the Mortgaged Property is free from all encumbrances except as further stated on Exhibit B to this Mortgage (the "Permitted Encumbrances"); that the Mortgagor shall quietly enjoy and possess the same; and that the Mortgagor will warrant and defend the title to the same against all lawful claims not specifically excepted in this Mortgage.

The Mortgagor further covenants and agrees as follows:

ARTICLE I
DEFINITIONS AND EXHIBITS

1.1 Definitions. In this Mortgage the following terms have the following respective meanings unless the context hereof clearly requires otherwise:

(a) Assignment: the Assignment of Lease and Rents, dated as of the date hereof, executed by the Mortgagor in favor of the Mortgagee;

(b) Event of Default: any of the events referred to as such in Section 8.1 hereof;

(c) Headquarters Mortgage: the Mortgage, Security Agreement and Fixture Financing Statement dated the date hereof executed by the Mortgagor in favor of the Lender granting a Mortgage lien on the Headquarters;

(d) HRA: the Housing and Redevelopment Authority in and for the City of Wayzata, its successors and assigns;

(e) Lender: Bremer Bank, National Association, it successors and assigns;

(f) Mortgage: this Mortgage, Security Agreement and Fixture Financing Statement, including any mortgage supplemental hereto entered into in accordance with the provisions hereof;

(g) Mortgaged Property: all interests of the Mortgagor in the Land, the Building, the Rents, the Awards and the Equipment, and all other property covered by the Granting Clauses I through V hereof, as they may at any time exist;

(h) Mortgagee: the HRA, its successors and assigns, including, without limitation, the Lender;

(i) Mortgagor: Hammer Residences, Inc., a Minnesota nonprofit corporation, its successors and assigns;

(j) Permitted Encumbrances: those encumbrances specified in Exhibit B attached hereto or otherwise consented to by the Mortgagee in writing; and

(k) Pledge Agreement: the Pledge Agreement of even date herewith between the HRA and the Lender;

(l) Regulatory Agreement: the Regulatory Agreement of even date herewith between the Mortgagor and the Lender;

(m) Resolution: the Resolution of the HRA adopted on September 5, 2013;

(n) Security Documents: the Resolution, the Notes, this Mortgage, the Headquarters Mortgage, the Loan Agreement, the Assignment, the Regulatory Agreement, the Pledge Agreement, financing statements, and all other documents and agreements contemplated by this transaction which relate to the security of the Mortgagee.

1.2 Exhibits. Attached to and by reference made a part of this Mortgage are the following exhibits:

(a) Exhibit A: a legal description of the Land; and

(b) Exhibit B: a list of Permitted Encumbrances.

ARTICLE II
GENERAL COVENANTS, AGREEMENTS, WARRANTIES

2.1 Payment of Indebtedness and Observance of Covenants. The Mortgagor shall make all payments when due under the Loan Agreement, and shall perform and comply with all covenants, agreements, conditions, provisions, stipulations and obligations set forth therein or in any other agreements or instruments delivered by the Mortgagor in connection with the issuance of the Notes on its part to be performed, at the times and in the manner required thereby.

2.2 Maintenance; Repairs. The Mortgagor agrees that it will keep and maintain the Mortgaged Property in good condition, repair and operating condition free from any waste or misuse, ordinary wear and tear excepted, and will comply with all requirements of law, municipal ordinances and regulations, restrictions and covenants affecting the Mortgaged Property and its use, and will promptly repair or restore any buildings, improvements or structures now or hereafter on the Land which may become damaged or destroyed to their condition prior to any such damage or destruction, unless the Mortgagor exercises its option to accelerate repayment of the Notes as provided in the Loan Agreement. The Mortgagor agrees not to acquiesce in any rezoning classification, modification or restriction which will adversely affect the present permitted uses of the Land and the Building.

2.3 Payment of Operating Costs; Prior Mortgages and Liens. The Mortgagor agrees that it will pay all operating costs and expenses of the Mortgaged Property, keep the Mortgaged Property free from mechanics', materialmen's and other liens (other than Permitted Encumbrances) not expressly subordinated to the lien of this Mortgage on terms acceptable to the Mortgagee in its discretion ("Liens"), keep the Mortgaged Property free from levy, execution or attachment ("Levy") and will pay when due all indebtedness which may be secured by mortgage, lien or charge on the Mortgaged Property, superior to or equal to the lien of this Mortgage, and upon request will exhibit to the Mortgagee satisfactory evidence of such payment and discharge.

2.4 Payment of Impositions. The Mortgagor will pay when due and before any penalty and before they become delinquent all taxes, assessments, water charges, sewer charges, and other fees, taxes, charges and assessments of every kind and nature whatsoever assessed or charged against or constituting a lien on the Mortgaged Property or any interest therein ("Impositions"), and will upon demand furnish to the Mortgagee proof of the payment of any such Impositions.

2.5 Escrow for Taxes and Insurance. If demanded by the Mortgagee to secure the payment of the taxes and assessments referred to herein and the premiums on the insurance referred to herein, the Mortgagor will deposit with the Mortgagee each and every month accompanying each installment due under the Notes a sum which, in the estimation of the Mortgagee, shall be equal to one-twelfth of the annual taxes, assessments and insurance premiums. Said deposits shall be held by the Mortgagee, free of any liens or claims on the part of creditors of the Mortgagor and as part of the security of the Mortgagee, and shall be used by the Mortgagee to pay current taxes and assessments and insurance premiums on the Mortgaged Property as the same accrue and are payable. If said deposits are insufficient to pay the taxes and assessments and insurance premiums in full as the same become payable, the Mortgagor will deposit with the Mortgagee such additional sum or sums as may be required in order for the Mortgagee to pay such taxes and assessments and insurance premiums in full.

2.6 Contest of Impositions, Liens and Levies. The Mortgagor shall not be required to pay, discharge or remove any Imposition, Lien or Levy so long as the Mortgagor shall in good faith contest the same or the validity thereof by appropriate legal proceedings which shall operate to prevent the collection of the Levy, Lien or Imposition so contested and the sale of the Mortgaged Property, or any part thereof to satisfy the same, provided that the Mortgagor shall, prior to the date such Levy, Lien or Imposition is due and payable, have given such security as the Mortgagee may reasonably require. Any such contest shall be prosecuted with due diligence and the Mortgagor shall promptly after final determination thereof pay the amount of any such Levy, Lien or Imposition so determined, together with all interest and penalties, which may be payable in connection therewith and further will indemnify and hold harmless the Mortgagee against all losses in connection therewith. Notwithstanding the provisions of this Section, the Mortgagor shall (and if the Mortgagor shall fail so to do, the Mortgagee may, but shall not be required to) pay any such Levy, Lien or Imposition notwithstanding such contest if in the judgment of the Mortgagee' s counsel, reasonably exercised, the Mortgaged Property shall be in danger of imminent loss by forfeiture or foreclosure.

2.7 Protection of Security. The Mortgagor agrees to promptly notify the Mortgagee of, to take all appropriate steps to tender defense to the appropriate insurer, and, if necessary, to appear in and defend any suit, action or proceeding that affects the Mortgaged Property, or the rights, interest, title to, possession of, or priority of the lien of this Mortgage. If appropriate appearance and defense is not entered, the Mortgagee may elect to appear in or defend any such action or proceeding and the Mortgagor agrees to indemnify and reimburse the Mortgagee from any and all loss, damage, expense or cost arising out of or incurred in connection with any suit, action or proceeding that affects the Mortgaged Property or the rights or interests of the Mortgagee, including costs of evidence of title and reasonable attorneys' fees.

2.8 Additional Assurances. The Mortgagor agrees, upon reasonable request by the Mortgagee, to execute and deliver such further instruments, financing statements under the Minnesota Uniform Commercial Code (the "Code") and assurances and will do such further acts as may be necessary or proper to carry out more effectively the purposes of this Mortgage, and without limiting the foregoing, to make subject to the lien hereof any property agreed to be subjected hereto or covered by the granting clauses hereof, or intended so to be. The Mortgagor agrees to pay any recording fees, filing fees, stamp taxes or other charges arising out of or incident to the filing or recording of the Mortgage and such further assurances and instruments. Mortgagor authorizes Mortgagee to file financing statements under the Code to enable Mortgagee to perfect its security interest in the Mortgaged Property.

2.9 Due on Sale, Etc. In the event the Mortgagor sells, conveys, transfers, leases (other than leases in the ordinary course of the Mortgagor's business), mortgages, encumbers, or disposes of the Mortgaged Property, or any part thereof, or any interest therein, or agrees so to do (other than as expressly provided herein or in the Loan Agreement), or merges or consolidates with another entity except as provided in [Section 4.2(A)] of the Loan Agreement, without the written consent of the Mortgagee being first obtained, then at the sole option of the Mortgagee, the Mortgagee may declare all indebtedness secured hereby due and payable in full and call for payment of the same in full at once. Consent as to any one transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions.

2.10 Rights Under Loan Agreement. The Loan Agreement sets forth the covenants and obligations of the HRA and the Mortgagor, including a provision that the Loan Agreement may not be effectively amended, changed or modified without the written consent of the Lender, and reference is hereby made to the same for a detailed statement of such covenants and obligations, which are hereby incorporated herein.

2.11 Environmental Matters. To the Mortgagor's knowledge, there exists no uncorrected violation by the Mortgagor or in respect of the Mortgaged Property of any federal, state or local laws (including statutes, regulations, ordinances or other governmental restrictions and requirements) relating to the discharge of air pollutants, water pollutants or process waste water or otherwise relating to the environment or Hazardous Substances as hereinafter defined (collectively "Environmental Laws"). The term "Hazardous Substances" shall mean any hazardous or toxic wastes, chemicals or other substances, the generation, possession or existence of which is prohibited or governed by any Environmental Laws including, without limitation, hazardous substances, pollutants or contaminants, as defined in Minnesota Statutes Section 115B.02 (collectively "Hazardous Substances"). The Mortgagor is not subject to any judgment, decree, order or citation, or a party to (or threatened with) any litigation or administrative proceeding, which asserts that the Mortgagor (i) has violated any Environmental Laws; (ii) is required to clean up, remove or take remedial or other action with respect to any Hazardous Substances (collectively "Remedial Action"); or (iii) is required to pay all or a portion of the cost of any Remedial Action, as a potentially responsible party. To the Mortgagor's knowledge there are not now, nor after reasonable investigation have there ever been, any Hazardous Substances (or tanks or other facilities for the storage of Hazardous Substances) stored, deposited, recycled or disposed of on, under or at any real estate owned or occupied by the Mortgagor during the periods that the Mortgagor owned or occupied such real estate, which if present on the real estate or in soils or ground water, could require Remedial Action, other than as disclosed to Mortgagee in writing. To the Mortgagor's knowledge, there are no proposed or pending changes in Environmental Laws which would adversely affect the Mortgagor or its business, and there are no conditions existing currently or likely to exist while this Mortgage is in effect which would subject the Mortgagor to Remedial Action or other liability. To the Mortgagor's knowledge the Mortgagor currently complies with and will continue to timely comply with all applicable Environmental Laws; and will provide the Mortgagee, immediately upon receipt, with copies of any correspondence, notice, complaint, order or other document from any source asserting or alleging any circumstance or condition which requires or may require a financial contribution by the Mortgagor or Remedial Action or other response by or on the part of the Mortgagor under Environmental Laws, or which seeks damages or civil, criminal or punitive penalties from the Mortgagor for an alleged violation of Environmental Laws.

The Mortgagor agrees to indemnify and reimburse the Mortgagee, its successors and assigns, for any loss, damage, expense or cost arising out of or incurred by the Mortgagee which is a result of a breach, misstatement of or misrepresentation of the above covenants, representations and warranties, together with all reasonable attorneys' fees incurred in connection with the defense of any action against the Mortgagee arising out of the above. These covenants, representations and warranties are for the benefit of the Mortgagee, and any successor or assign of the Mortgagee, and shall be deemed to survive termination of this Mortgage.

ARTICLE III
INSURANCE

3.1 Property and Liability Insurance. The Mortgagor shall obtain and keep in full force and effect during the term of this Mortgage at its cost and expense, and at no expense to the Mortgagee: (a) builder's risk insurance during any renovation of the Project; (b) casualty insurance against loss by fire, lightning and risk customarily covered by standard extended coverage endorsement; (c) broad form boiler and machinery insurance on all equipment and pressure fired vehicles or apparatus customarily covered by such insurance and situated in the Building; (d) comprehensive commercial general liability insurance covering the liability of the Mortgagor against claims for bodily injury, death or property damage occurring on, in, or about the Land and the Building; and (e) such other insurance, including, but not limited to, workers' compensation insurance, as is customarily carried by prudent owners of comparable property to the Mortgaged Property. All such insurance policies shall be written on forms and with insurance companies reasonably satisfactory to the Mortgagee. The insurance required by subparagraphs (a), (b) and (c) shall name as the insured parties the Mortgagor and the Mortgagee as their interests may appear, shall be in form and amount sufficient to prevent the Mortgagor from becoming a coinsurer of any loss thereunder, shall be in such minimum amounts, with such deductibles, and with such limits as the Mortgagee may reasonably require, and shall bear a satisfactory mortgagee clause in favor of the Mortgagee with loss proceeds under any such policies to be made payable to the Mortgagee. The insurance required by subparagraphs (d) and (e) shall contain policy limits no less than that customarily carried by prudent owners of business comparable to Mortgagor's business. At the request of the Mortgagee, evidence of the payment of current premiums therefor shall be delivered to the Mortgagee. The Mortgagor shall, upon execution of this Mortgage, and within thirty (30) days prior to the expiration of any such policy, deliver to the Mortgagee copies of original policies or certificates of the insurer evidencing such insurance. Each policy shall contain a provision that the insurer will not cancel or modify it without giving written notice to the Mortgagor and the Mortgagee at least thirty (30) days before the cancellation or modification becomes effective. Subject to existing law, in the event of foreclosure of the Mortgage or any acquisition of the Mortgaged Property by the Mortgagee all such policies and any proceeds payable therefrom, whether payable before or after a foreclosure sale, or during the period of redemption, if any, shall become the absolute property of the Mortgagee to be utilized in its discretion. In the event of the foreclosure or the failure to obtain and keep any required insurance, the Mortgagor empowers the Mortgagee to effect insurance upon the Mortgaged Property at the Mortgagor's expense in the amounts and types aforesaid for a period of time covering the time of redemption from foreclosure sale, and if necessary therefor, to comply with any or all inspection reports and insurance recommendations received by Mortgagor from any insurer.

ARTICLE IV
UNIFORM COMMERCIAL CODE

4.1 Security Agreement. This Mortgage shall constitute a security agreement as defined in the Code and the Mortgagor hereby grants to the Mortgagee a security interest within the meaning of the Code in favor of the Mortgagee in fixtures, the Rents, the Awards and the Equipment, and in all similar property owned by Mortgagor during the term of this Mortgage, whether now owned or hereafter acquired (collectively, the "Collateral"), included in the Mortgaged Property.

4.2 Fixture Financing Statement. As to those items of Collateral described in this Mortgage that are, or are to become, fixtures relating to the real estate mortgaged herein, it is intended as to those items that THIS MORTGAGE SHALL BE EFFECTIVE AS A FINANCING STATEMENT FILED AS A FIXTURE FILING from the date of its filing in the real estate records of the county where the Mortgaged Property is situated.

Name and address of Debtor:	Hammer Residences, Inc. 1909 East Wayzata Boulevard Wayzata, MN 55391
Name and address of Secured Party:	Housing and Redevelopment Authority in and for the City of Wayzata 600 Rice Street East Wayzata, MN 55391
Name and address of Assignee of Secured Party:	Bremer Bank, National Association 225 South 6th Street, Suite 200 Minneapolis, MN 55402
Description of the types (or items) of property covered by this financing statement:	All Fixtures now located on the real property described on Exhibit "A" attached hereto.
Description of real estate which all or a part of the Collateral is attached or upon which it is located.	See Exhibit "A" attached hereto.

This document covers goods which are or are to become fixtures.

4.3 Representations and Agreements. (a) The Mortgagor is and will be the true and lawful owner of the Collateral mentioned in any financing statement, subject to no liens, charges, security interests and encumbrances other than the lien hereof and Permitted Encumbrances; (b) such Collateral is to be used by the Mortgagor solely for business purposes and is installed or being installed upon the Land and the Building for Mortgagor's own use; (c) except as permitted under Section 4.4 below, such Collateral will be kept at the Building and will not be removed therefrom without the consent of the Mortgagee, may be affixed to the Building but will not be removed therefrom without the consent of the Mortgagee, and may be affixed to the Building but will not be affixed to any other real estate; (d) unless stated otherwise in this Mortgage, the only persons having any interest in the Collateral are the Mortgagor and the Mortgagee and no financing statement covering any such property and any proceeds thereof is on file in any public office except to the Mortgagee; (e) the remedies of the Mortgagee hereunder are cumulative and separate, and the exercise of any one or more of the remedies provided for herein or under the Code shall not be construed as a waiver of any of the other rights of the Mortgagee including having such Collateral deemed part of the realty upon any foreclosure thereof; (f) if notice to any party of the intended disposition of the Collateral is required by law in a particular instance, such notice shall be deemed commercially reasonable if given at least ten (10) days prior to such intended disposition and may be given by advertisement in a newspaper accepted for legal publications either separately or as part of a notice given to foreclose the real property or may be given by private notice if such parties are known to the Mortgagee; (g) the filing of a financing statement pursuant to the Code shall never impair the stated intention of this Mortgage that all items comprising the Collateral are and at all times and for all purposes and in all proceedings both legal or equitable shall be regarded as part of the property mortgaged hereunder irrespective of whether such item is physically attached to the real property or any such item is referred to or reflected in a financing statement; (h) the Mortgagor will on demand deliver all financing statements that may from time to time be required by the Mortgagee to establish and perfect the priority of the Mortgagee's security interest in the Collateral; and (i) the Mortgagor shall give advance written notice of any proposed change in the Mortgagor's name, identity or structure and will execute and deliver to the Mortgagee prior to or concurrently with such change all additional financing statements that the Mortgagee may require to establish and perfect the priority of the Mortgagee's security interest.

4.4 Replacement of Collateral. Subject to the provisions of this Section, if the Mortgagor in its sound discretion determines that any item subject to a security interest under this Mortgage has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary for the operation of the Mortgaged Property, the Mortgagor may, at its expense, remove and dispose of it and substitute and install other items not necessarily having the same function if such removal and substitution does not impair the operating utility and unity of the Mortgaged Property without first obtaining the consent of the Mortgagee so long as the cost of replacement of any such item does not exceed $50,000 and so long as the aggregate cost of replacements in any one year does not exceed $100,000. The Mortgagor may, at its expense, remove and dispose of an item and substitute and install other items not necessarily having the same function, only if such substituted items become a part of the Mortgaged Property and subject to the lien of the Mortgage, with no change in the priority of such lien. Any amounts received or allowed the Mortgagor upon the sale or other disposition of the removed items of property shall be applied first against the cost of acquisition and installation of the substituted items. Nothing herein contained shall be construed to prevent any tenant, subtenant, secured party, or occupant (other than the Mortgagor) from removing from the Land or Building trade fixtures, furniture and equipment installed by it and removable by tenant under its terms of a lease, or the subject of a prior security interest in its favor, on the condition, however, that the tenant, subtenant or secured party shall at is own cost and expense, repair any and all damages to the Mortgaged Property resulting from or caused by the removal thereof.

ARTICLE V
APPLICATION OF INSURANCE AND CONDEMNATION AWARDS

5.1 Damage or Destruction of the Mortgaged Property. The Mortgagor will give the Mortgagee prompt notice of any damage to or destruction of the Mortgaged Property. Any expense incurred by the Mortgagee or the Mortgagor in the adjustment and collection of insurance proceeds (including the cost of any independent appraisal of the loss or damage) shall be reimbursed first out of any proceeds. Any proceeds of any insurance payable by reason of loss or damage to the Mortgaged Property are hereby assigned and shall be paid to the Mortgagee with authority to apply the proceeds to the amounts outstanding on the Notes. All such proceeds shall be applied first to interest, if any, and then to the principal amount outstanding, and if the principal amount is payable in installments, said proceeds after payment of accrued interest, shall be applied to said installments in the inverse order of maturity. Provided no Event of Default has occurred and is continuing hereunder and no event has occurred which with notice or passage of time or both would mature into such an Event of Default, Mortgagor may elect to make repairs on the Mortgaged Property. The insurance proceeds necessary to undertake any repair work shall be deposited in escrow with a title insurance company qualified to do business in Minnesota, or with any other party mutually agreeable to the parties. Mortgagor shall also deposit into such escrow amounts in excess of such insurance proceeds as may be necessary to complete the repairs. Even if the insurance proceeds are unavailable or are insufficient to pay the cost of the repair work, Mortgagor shall at all times be responsible to pay the full cost of the repair work. All escrowed funds shall be disbursed by the escrowee in accordance with generally accepted sound construction disbursement procedures. The election by the Mortgagor may be made only by written notice to the Mortgagee and all plans, specifications, and contracts for the repair work must be approved in writing by the Mortgagee. The costs incurred, or to be incurred on account of such escrow shall be deposited by Mortgagor into such escrow before the commencement of the repair work. Mortgagor shall substantially complete such repair work so as to permit substantial resumption of business as soon as reasonably possible but in no event longer than 180 days from the date of loss or damage (such period to be extended in the event of natural disasters or other acts of God outside the control of Mortgagor that cause delays in completing such repair work) and in a good and workmanlike manner.

5.2 Condemnation. The Mortgagor will give the Mortgagee prompt notice of any action, actual or threatened, in condemnation or eminent domain and hereby assigns, transfers, and sets over to the Mortgagee the net proceeds of any award or claim for damages for all or any part of the Mortgaged Property taken or damaged under the power of eminent domain or condemnation, including any interim award made pending trial or appeal from trial. If in the judgment of the Mortgagee, reasonably exercised, the Mortgagor is not proceeding in a manner which safeguards the interests of the Mortgagee, the Mortgagee is hereby authorized to intervene in any such action in the name of the Mortgagor and to collect and receive from the condemning authorities and give proper receipts and acquittance for such proceeds. Any expenses incurred by the Mortgagee in intervening in such action or collecting such proceeds shall be reimbursed to the Mortgagee first out of the proceeds. Any award of damages under condemnation or payment in lieu thereof for injury to or the taking of all or any part of the Mortgaged Property are hereby assigned to the Mortgagee with authority to apply the proceeds to the amounts outstanding on the Notes. All such proceeds shall be applied first to accrued interest, if any, and then to the principal amount outstanding on the Notes, and if the principal amount is payable in installments, said proceeds, after payment of accrued interest, shall be applied to said installments in the inverse order of their maturity.

5.3 Disbursement of Insurance and Condemnation Proceeds. Should any insurance or condemnation proceeds be applied to the restoration or repair of the Mortgaged Property, the restoration or repair shall be done pursuant to plans and specifications of the Mortgagor as reasonably approved by the Mortgagee. In such case the proceeds shall be held by the Mortgagee for such purposes and will from time to time be disbursed by the Mortgagee to defray the costs of such restoration or repair under such safeguards and controls as the Mortgagee may reasonably require to assure completion in accordance with the approved plans and specifications and free of liens or claims. Any surplus which may remain after payment of all costs of restoration or repair will be applied against the indebtedness secured hereby.

ARTICLE VI
ASSIGNMENT OF RENTS AND LEASES

6.1 Assignment of Rents and Leases. Mortgagor hereby assigns to Mortgagee, as additional security, all rents, leases and profits now due or which may become due under or by virtue of any lease, license, sublease, or agreement, whether written or verbal, for the use or occupancy of the mortgaged premises, or any part thereof, whether before or after foreclosure or during any redemption period, and Mortgagee shall have the power irrevocably to manage, control and lease the mortgaged premises and collect such rents, leases and profits. However, this Article VI shall be enforceable by the Mortgagee only during such period of time as an Event of Default shall have occurred and shall be continuing hereunder.

ARTICLE VII
RIGHTS OF THE MORTGAGEE

7.1 Right to Cure Default. If the Mortgagor shall fail to comply with any of the covenants or obligations of this Mortgage, the Mortgagee may, but shall not be obligated to, after telephonic or other notice to the Mortgagor and without waiving or releasing the Mortgagor from any obligation in this Mortgage contained, remedy such failure, and the Mortgagor agrees to repay upon demand all sums incurred by the Mortgagee in remedying any such failure, together with interest at the Default Rate (as defined in the Notes). All such sums, together with interest as aforesaid, shall become indebtedness secured by this Mortgage, but no such advance shall be deemed to relieve the Mortgagor from any failure hereunder. Included in this right to remedy a default, the Mortgagor authorizes and empowers the Mortgagee, at its option, to effect such insurance, to pay unpaid premiums, to pay any Impositions, to cancel and discharge any Levies and Liens, and to enter upon and authorize others to enter upon any and all of the Mortgaged Property to perform any covenant, condition, or term which the Mortgagor shall fail to perform, meet or comply with or for any other purpose in connection with the protection or preservation of the Mortgagee's security, without becoming thereby liable to the Mortgagor or any person in possession holding under the Mortgagor.

7.2 No Claim Against the Mortgagee. Nothing contained in this Mortgage shall constitute any consent or request by the Mortgagee, express or implied, for the performance of any labor or services or for the furnishing of any materials or other property in respect of the Mortgaged Property or any part thereof, nor as giving the Mortgagor or any party in interest with the Mortgagor any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would create any personal liability against the Mortgagee in respect thereof or would permit the making of any claim that any lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the lien of this Mortgage.

7.3 Inspection. The Mortgagor will permit the Mortgagee's authorized representatives to enter the Land and the Building at all reasonable times for the purpose of inspecting the same; provided the Mortgagee shall have no duty to make such inspections and shall not incur any liability or obligation for making or not making any such inspections.

7.4 Waivers, Releases, Resort to Other Security, Etc. Without affecting the liability of any party liable under any of the Security Documents or performance of any obligation contained herein, and without affecting the rights of the Mortgagee with respect to any security not expressly released in writing, the Mortgagee may, at any time, and without notice to or the consent of the Mortgagor or any party in interest to the Mortgaged Property or any of the Security Documents (a) release any person liable under any of the Security Documents or from performance of any obligation herein, (b) make any agreement extending the time or otherwise altering the terms of the Security Documents or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof, (c) accept any additional security, (d) release or otherwise deal with any property, real or personal, including any or all of the Mortgaged Property, or (e) resort to any security agreements, pledges, contracts of guarantee, or other securities, and exhaust any one or more of said securities and the security hereunder, either concurrently or independently and in such order as it may determine.

7.5 Rights Cumulative. Each right, power or remedy herein conferred upon the Mortgagee is cumulative and in addition to every other right, power or remedy, express or implied, now or hereafter arising, available to the Mortgagee, at law or in equity, or under the Code, or under any other agreement, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by the Mortgagee and shall not be a waiver of the right to exercise at any time thereafter any other right, power or remedy. No delay or omission by the Mortgagee in the exercise of any right, power or remedy arising hereunder or arising otherwise shall impair any such right, power or remedy or the right of the Mortgagee to resort thereto at a later date or be construed to be a waiver of any default under this Mortgage.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

8.1 Events of Default. It shall be an Event of Default under this Mortgage if (a) an Event of Default (as defined therein) shall occur under the Loan Agreement, the Headquarters Mortgage, the Assignment or the Regulatory Agreement; (b) the Mortgagor shall fail to comply with or perform any of the other terms, conditions or covenants of this Mortgage and such default shall continue for a period of more than thirty (30) days after written notice of default from the Mortgagee to the Mortgagor; (c) any representation or warranty made by the Mortgagor in any financial statements, reports, the Security Documents and other documents submitted with this Mortgage to the Mortgagee is untrue in any material respect; (d) the Mortgagor shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any present or future federal bankruptcy act or under any similar federal or state law, or shall be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of the Mortgagor as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law not be discharged or denied within ninety (90) days after the filing thereof, or a receiver, trustee or liquidator of the Mortgagor, or of the Project, shall be appointed in any proceeding brought against the Mortgagor and shall not be discharged within ninety (90) days after such appointment or if the Mortgagor shall consent to or acquiesce in such appointment; or (e) the Mortgagor shall be dissolved, liquidated or wound up, except pursuant to or in connection with a transfer of the Mortgaged Property permitted under the terms of Section 2.9 of this Mortgage.

With respect to (b) above, if the default can be remedied but not within a period of thirty days after notice and if the Mortgagor has taken all action reasonably possible to remedy such default within such thirty day period, the default shall not become an Event of Default for so long as the Mortgagor shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Mortgagee in the exercise of its sole discretion. The Mortgagor agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Mortgagor from carrying out its agreements.

8.2 Acceleration. If an Event of Default shall occur, the Mortgagor confers upon the Mortgagee the option of declaring all indebtedness secured hereby, without advance notice to the Mortgagor, immediately due and payable.

8.3 Mortgagee’s Right to Foreclose. If an Event of Default shall occur, the Mortgagor hereby authorizes and fully empowers the Mortgagee to foreclose this Mortgage by action or advertisement upon written notice thereof to Mortgagor, all in accordance with and in the same manner prescribed by law, and out of the proceeds arising from sale and foreclosure to retain all such sums of money as the Mortgagee shall have expended or advanced pursuant to this Mortgage or pursuant to statute, together with interest thereon as herein provided, and all costs and expenses of such foreclosure, including lawful attorney’s fees, with the balance, if any, to be paid to the persons entitled thereto by law.

8.4 Receiver. If an Event of Default shall occur, the Mortgagee shall be entitled as a matter of right without notice and without giving bond and without regard to the solvency or insolvency of the Mortgagor, or waste of the mortgaged premises or adequacy of the security of the mortgaged premises, to apply for the appointment of a receiver in accordance with the statutes and law made and provided for who shall collect the rents, and all other income of any kind; manage the mortgaged premises so to prevent waste; execute leases within or beyond the period of receivership, pay all expenses for normal maintenance of the premises and perform the terms of this Mortgage and apply the rents, issues and profits in the following order to (i) payment of the reasonable fees of said receiver, (ii) application of tenant security deposits as required by Minnesota Statutes Section 504B.178, (iii) payment when due of prior or current real estate taxes or special assessments with respect to the mortgaged premises or if required by this

Mortgage, payment of the periodic escrow for payment of the taxes or special assessments, (iv) the payment when due of premiums for hazard or liability insurance of the type required by this Mortgage or if required by this Mortgage, payment of the periodic escrow for the payment of the premiums, (v) keeping of the covenants required of a lessor or licenser pursuant to Minnesota Statutes, Section 504.18, and (vi) to the costs and expenses of the receivership, including reasonable attorney's fees, to the repayment of the Mortgage debt and to the operation, maintenance, upkeep and repair of the mortgaged premises, including payment of taxes on the mortgaged premises and payments of premiums of insurance on the mortgaged premises. The Mortgagor does hereby irrevocably consent to such appointment. Nothing contained in this Mortgage shall be construed as constituting the Mortgagee a mortgagee in possession.

8.5 Rights Under Uniform Commercial Code and Minnesota Law. In addition to the rights available to a mortgagee of real property, the Mortgagee shall also have all rights, remedies and recourse available to it as a secured party under the Code and Minnesota law, including all replevin rights and the right to proceed under the provisions of the Code governing default as to the Rent, the Awards and the Equipment which may be included in the Mortgaged Property or which may be deemed non-realty in a foreclosure of this Mortgage.

8.6 Right to Discontinue Proceedings. In the event the Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted under this Mortgage and shall thereafter elect to discontinue or abandon the same for any reason, the Mortgagee shall have the unqualified right to do so and in such event the Mortgagor and the Mortgagee shall be restored to their former positions with respect to the indebtedness secured hereby and this Mortgage, the Mortgaged Property and all the rights, remedies and recourse of the Mortgagee shall continue as if the same had not been invoked.

ARTICLE IX
MISCELLANEOUS

9.1 Release of Mortgage. When all the obligations of the Mortgagor have been performed, including the making of all payments due under the Loan Agreement and this Mortgage and all assignments herein contained shall be void and this Mortgage shall be automatically released by the Mortgagee at the cost and expense of the Mortgagor, otherwise this Mortgage shall remain in full force and effect.

9.2 Choice of Law. This Mortgage is made and executed under the laws of the State of Minnesota and is intended to be governed by the laws of said State.

9.3 Changes of Ownership. In the event that the ownership of the Mortgaged Property becomes vested in a person or persons other than the Mortgagor, the Mortgagee may continue to deal with the Mortgagor without any obligation to deal with such successor or successors in interest with reference to this Mortgage and the Loan Agreement until notified of such vesting. Upon such notification, the Mortgagee may thereafter deal with such successor in place of the Mortgagor without any obligation to thereafter deal with the Mortgagor and without waiving any liability of the Mortgagor hereunder or under the Loan Agreement. The Mortgagor shall give immediate written notice to the Mortgagee of any conveyance, transfer or change of ownership of the Mortgaged Property but nothing in this Section contained shall constitute the consent of the Mortgagee to any such conveyance, transfer or change or negate any provisions elsewhere in this Mortgage giving the Mortgagee the right to declare a default under this Mortgage. As provided in Section 2.9 hereof, the Mortgagee's consent to conveyances and other events shall not be unreasonably withheld.

9.4 Successors and Assigns. This Mortgage and each and every covenant, agreement and other provision hereof shall be binding upon the Mortgagor and its successors and assigns, including, without limitation, each and every record owner of the Mortgaged Property or any other person having an interest therein; it shall inure to the benefit of the Mortgagee and its successors and assigns.

9.5 Unenforceability of Certain Clauses. The unenforceability of or invalidity of any provisions hereof shall not render any other provision or provisions herein contained unenforceable or invalid.

9.6 Captions and Headings. The captions and headings of the various sections of this Mortgage are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

9.7 Notices. All notices of an Event of Default hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, with proper address as indicated. All other notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by regular mail, postage prepaid, with proper address as indicated below. The Mortgagor and the Mortgagee may, by written notice given by each other to the others, designate any other address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Mortgage. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To the Mortgagor:	Hammer Residences, Inc. 1909 E. Wayzata Boulevard Wayzata, MN 55391 Attn: Chief Financial Officer
To the Mortgagee:	Housing and Redevelopment Authority in and for the City of Wayzata 600 Rice Street E. Wayzata, MN 55391 Attn: City Administrator

To the Lender: Bremer Bank, National Association
4150 Second Street South
St. Cloud, MN 56301
Attn: Sarah T. Barthel

9.8 Limitation of the HRA's Liability. No covenants, agreements or provisions contained in this Mortgage nor any agreement, covenant or undertaking by the HRA contained in any document executed by the HRA in connection with the Mortgaged Property or the issuance, sale and delivery of the Notes shall give rise to any pecuniary liability of the HRA or Wayzata or a charge against their general credit or taxing powers within the meaning of any constitutional or statutory provision whatsoever, or shall obligate the HRA or Wayzata financially in any way except with respect to the Mortgaged Property and the application or revenues therefrom and the proceeds of the Notes. No failure of the HRA to comply with any term, condition, covenant or agreement herein shall subject the HRA or Wayzata to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the Mortgaged Property or revenues therefrom or proceeds of the Notes. No execution on any claim, demand, cause of action or judgment shall be levied upon or collected from the general credit, general funds or taxing powers of the HRA or Wayzata.

9.9 Supplements or Amendments to this Mortgage. This Mortgage may not be supplemented or amended without the written consent of the Mortgagee and the Mortgagor.

[The remainder of page is blank; signature page follows.]

IN WITNESS WHEREOF, the Mortgagor has caused these presents to be executed as of the date first above written.

HAMMER RESIDENCES, INC.

By ______________________________________
Its __________

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____day of September, 2013, by __________, the __________ of Hammer Residences, Inc., a Minnesota nonprofit corporation, on behalf of said corporation.

____
Notary Public

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B
TO
MORTGAGE, SECURITY AGREEMENT,
AND FIXTURE FINANCING STATEMENT

"Permitted Encumbrances" means, as of any particular time:

> Permitted Encumbrances mean, as of any particular time, (a) liens for taxes, special assessments and governmental charges not then delinquent or, if then delinquent, are being contested in accordance with Section 2.6 of this Mortgage; (b) utility, access, and other easements, rights-of-way, restrictions, and exceptions affecting the Land; (c) such minor defects, irregularities, encumbrances, easements, rights-of-way, and clouds on title as normally exist with respect to property similar in character to the Land and as do not in the aggregate, in the opinion of counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Mortgagor; (d) any mechanic's, laborer's, materialmen's, supplier's, or vendor's lien if payment is not yet due under the contract in question or if such lien is being contested in accordance with Section 2.6 of this Mortgage; (e) building and zoning laws; (f) this Mortgage; (g) liens on the Land of record at the time of recording of this Mortgage, as described in the Mortgagee's policy of title insurance issued to the Mortgagee and acceptable to the Mortgagee; (h) liens subordinated to the lien hereof on terms acceptable to the Mortgagee; and (i) future purchase money liens on personal property.

SPACE ABOVE THIS LINE FOR RECORDER'S USE

This Mortgage, Security Agreement and Fixture Financing Statement contains after-acquired property provisions and constitutes a fixture financing statement under Minnesota Statutes, Section 336.9-313.

The Maximum principal indebtedness secured by this Mortgage is $1,820,000

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA
MULTI FAMILY HOUSING REVENUE NOTES (HAMMER RESIDENCES, INC. PROJECT) SERIES 2013A AND B

MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT

Dated September __, 2013

HAMMER RESIDENCES, INC., AS MORTGAGOR
and
HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA, AS MORTGAGEE

This instrument was drafted by:
Briggs and Morgan, P.A. (TJH)
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402

MORTGAGE, SECURITY AGREEMENT
AND
FIXTURE FINANCING STATEMENT

This MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT dated September __, 2013 (this "Mortgage"), is between HAMMER RESIDENCES, INC., a Minnesota nonprofit corporation, as mortgagor (the "Mortgagor"), and BREMER BANK, NATIONAL ASSOCIATION, a national banking association (the "Mortgagee").

W I T N E S S E T H:

WHEREAS, the Mortgagor and the Housing and Redevelopment Authority in and for the City of Wayzata (the "HRA") are entering into a Loan Agreement dated the date hereof (the "Loan Agreement") pursuant to which the HRA will lend to the Mortgagor, the proceeds of its $4,000,000 Multifamily Housing Revenue Notes (Hammer Residences, Inc. Project), Series 2013A and its $1,500,000 Multifamily Housing Revenue Notes (Hammer Residences, Inc. Project), Series 2013B (collectively, the "Notes") payable to the Mortgagee, maturing and payable in full on ___________, 2025; and

WHEREAS, the HRA will loan the proceeds of the Notes to the Mortgagor to finance a portion of the costs of (a) refinancing the outstanding principal balance of the City of Wayzata ("Wayzata") $2,500,000 Revenue Bond (Hammer Residence, Inc. Project) dated December 27, 2006, relating to certain of the Mortgagor's facilities in Wayzata; (b) refinancing the outstanding principal balance of the City of Golden Valley ("Golden Valley") $800,000 Revenue Bond (Hammer Residences, Inc. Project) dated January 17, 2008, relating to certain of the Mortgagor's facilities, in Plymouth, MN ("Plymouth"); (c) refinancing the outstanding principal balance of Wayzata's $1,302,945.08 Refunding Revenue Bond (Hammer Residences, Inc. Project) dated July 1, 2010, relating to the Mortgagor's headquarters building located at 1909 Wayzata Boulevard in Wayzata (the "Headquarters"); (d) refinancing of certain conventional debt of the Mortgagor issued on November 11, 2009 and under a credit line used for capital improvements to certain of the Mortgagor's facilities in Wayzata, Plymouth and the City of Minnetonka, Minnesota ("Minnetonka"); and (e) additional capital expenditures including renovation and equipping and acquisition of database software for the Mortgagor's facilities in Wayzata, Minnetonka, Plymouth and Golden Valley (collectively, the "Project"); and

WHEREAS, the HRA and the Mortgagee, the purchaser of the Notes, will enter into a Pledge Agreement dated the date hereof (the "Pledge Agreement"), pursuant to which the HRA will assign to the Mortgagee as security for repayment of the Notes, all rights and interests of the HRA in the Loan Agreement (except for the rights of the HRA under Sections 3.1, 4.3 and 6.4 thereof); and

WHEREAS, the Mortgagee and the Mortgagor will enter into a Regulatory Agreement dated the date hereof (the "Regulatory Agreement") relating to multifamily rental occupancy restrictions on certain of the facilities included in the Project); and

NOW, THEREFORE, in consideration of the purchase of the Notes by the Mortgagee and the issuance of the Notes by the HRA and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to secure the due and punctual payment of any and all liabilities of the Mortgagor under the Loan Agreement, including (without limitation) Loan Repayments (as defined in the Loan Agreement) in the amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Notes, to secure payment of the Notes and all interest accruing thereon and to secure the payment of all fees and expenses and advances of the Mortgagee under the Loan Agreement, the Assignment (as defined herein), the Regulatory Agreement, the Pledge Agreement and this Mortgage, the Mortgagor does hereby grant, bargain, sell, convey, and assign to the Mortgagee, its successors and assigns, a lien on and security interest in, and does hereby mortgage and pledge unto the Mortgagee, its successors and assigns, forever, with power of sale, the following:

I.

All of its right, title and interest in and to the tracts, parcels and interests in land described in Exhibit A hereto (the "Land"), and the buildings, structures and other improvements now standing or at any time hereafter constructed or placed upon the Land by Mortgagor (collectively, the "Building"), including, but not limited to (i) all building materials, supplies and equipment now or hereafter located on the Land and suitable or intended to be incorporated in any building, structure, or other improvement located or to be erected on the Land, (ii) all heating, plumbing and lighting apparatus, motors, engines and machinery, electrical equipment, incinerator apparatus, air conditioning equipment, water and gas apparatus, pipes, faucets, and all other fixtures of every description which are now or may hereafter be placed or used upon the Land or in any building or improvement now or hereafter located thereon, (iii) all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds to and of any and all of the foregoing, and (iv) all hereditaments, easements, appurtenances, estates, access rights, and other rights and interests now or hereafter belonging to or in any way pertaining to the Land or to the Building or any building or other improvement now or hereafter located thereon.

II.

All rents now due or which may hereafter become due to Mortgagor under or by virtue of any lease, license, sublease, or agreement, whether written or verbal, for the use or occupancy of the Land, the Building or any part thereof (the "Rents").

III.

Any and all awards or compensation made to Mortgagor by any governmental or other lawful authorities for the taking or damaging by eminent domain of the whole or any part of the Land or the Building, including any award for a temporary taking, change of grade of streets or taking of access, and any and all insurance proceeds for loss or damage to the Building (the "Awards").

IV.

The equipment, including furniture, owned by the Mortgagor and located on the Land, and all replacements and substitutions therefor (the “Equipment”).

V.

All other rights and interests in property, whether tangible or intangible, required to be subject to the lien hereof, or from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Mortgagor or by anyone on its behalf or with its written consent to the Mortgagee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD the Land, the Building, the Rents, the Awards and the Equipment (the “Mortgaged Property”), together with all privileges, hereditaments and appurtenances thereunto now or hereafter belonging, or in anywise appertaining, and the proceeds thereof, unto the Mortgagee, its successors and assigns forever.

PROVIDED, NEVERTHELESS, that if the Mortgagor shall pay or cause to be paid to the Mortgagee the principal sum of One Million Eight Hundred Twenty Thousand Dollars ($1,820,000) under the Notes, with interest, according to the true intent and meaning of the terms of the Notes, all of the terms of which are hereby made a part of this Mortgage to the same extent and with the same effect as if they were fully set forth herein, and shall also pay all other sums, with interest thereon, as may be advanced by the Mortgagee in accordance with this Mortgage, either to protect the lien of this Mortgage, or by way of additional loan or for any other purpose, and shall also keep, perform and observe, all and singular, the conditions and covenants contained in this Mortgage, the Loan Agreement, the Assignment and the Regulatory Agreement, which are to be kept, performed and observed by the Mortgagor, then this Mortgage shall be null and void, in which event the Mortgagee will execute and deliver to the Mortgagor, in form suitable for recording, a full release of this Mortgage, otherwise this Mortgage shall remain in full force and effect.

And the Mortgagor for itself, its successors and assigns, does covenant with the Mortgagee, its successors and assigns, that it is lawfully seized of the Land in fee simple; that it has good right and title to sell and convey the Mortgaged Property; that the Mortgaged Property is free from all encumbrances except as further stated on Exhibit B to this Mortgage (the “Permitted Encumbrances”); that the Mortgagor shall quietly enjoy and possess the same; and that the Mortgagor will warrant and defend the title to the same against all lawful claims not specifically excepted in this Mortgage.

The Mortgagor further covenants and agrees as follows:

ARTICLE I
DEFINITIONS AND EXHIBITS

1.1 Definitions. In this Mortgage the following terms have the following respective meanings unless the context hereof clearly requires otherwise:

(a) Assignment: the Assignment of Lease and Rents, dated as of the date hereof, executed by the Mortgagor in favor of the Mortgagee;

(b) Event of Default: any of the events referred to as such in Section 8.1 hereof;

(c) Housing Mortgage: the Mortgage, Security Agreement and Fixture Financing Statement dated the date hereof executed by the Mortgagor in favor of the Mortgagee granting a mortgage lien on certain of the Mortgagor's group homes;

(d) HRA: the Housing and Redevelopment Authority in and for the City of Wayzata, its successors and assigns;

(e) Mortgage: this Mortgage, Security Agreement and Fixture Financing Statement, including any mortgage supplemental hereto entered into in accordance with the provisions hereof;

(f) Mortgaged Property: all interests of the Mortgagor in the Land, the Building, the Rents, the Awards and the Equipment, and all other property covered by the Granting Clauses I through V hereof, as they may at any time exist;

(g) Mortgagee: Bremer Bank, National Association, its successors and assigns;

(h) Mortgagor: Hammer Residences, Inc., a Minnesota nonprofit corporation, its successors and assigns;

(i) Permitted Encumbrances: those encumbrances specified in Exhibit B attached hereto or otherwise consented to by the Mortgagee in writing; and

(j) Pledge Agreement: the Pledge Agreement of even date herewith between the HRA and the Mortgagee;

(k) Regulatory Agreement: the Regulatory Agreement of even date herewith between the Mortgagor and the Mortgagee;

(l) Resolution: the Resolution of the HRA adopted on September 5, 2013;

(m) Security Documents: the Resolution, the Notes, this Mortgage, the Housing Mortgage, the Loan Agreement, the Assignment, the Regulatory Agreement, the Pledge Agreement, financing statements, and all other documents and agreements contemplated by this transaction which relate to the security of the Mortgagee.

1.2 Exhibits. Attached to and by reference made a part of this Mortgage are the following exhibits:

(a) Exhibit A: a legal description of the Land; and

(b) Exhibit B: a list of Permitted Encumbrances.

ARTICLE II
GENERAL COVENANTS, AGREEMENTS, WARRANTIES

2.1 Payment of Indebtedness and Observance of Covenants. The Mortgagor shall make all payments when due under the Loan Agreement, and shall perform and comply with all covenants, agreements, conditions, provisions, stipulations and obligations set forth therein or in any other agreements or instruments delivered by the Mortgagor in connection with the issuance of the Notes on its part to be performed, at the times and in the manner required thereby.

2.2 Maintenance; Repairs. The Mortgagor agrees that it will keep and maintain the Mortgaged Property in good condition, repair and operating condition free from any waste or misuse, ordinary wear and tear excepted, and will comply with all requirements of law, municipal ordinances and regulations, restrictions and covenants affecting the Mortgaged Property and its use, and will promptly repair or restore any buildings, improvements or structures now or hereafter on the Land which may become damaged or destroyed to their condition prior to any such damage or destruction, unless the Mortgagor exercises its option to accelerate repayment of the Notes as provided in the Loan Agreement. The Mortgagor agrees not to acquiesce in any rezoning classification, modification or restriction which will adversely affect the present permitted uses of the Land and the Building.

2.3 Payment of Operating Costs; Prior Mortgages and Liens. The Mortgagor agrees that it will pay all operating costs and expenses of the Mortgaged Property, keep the Mortgaged Property free from mechanics', materialmen's and other liens (other than Permitted Encumbrances) not expressly subordinated to the lien of this Mortgage on terms acceptable to the Mortgagee in its discretion ("Liens"), keep the Mortgaged Property free from levy, execution or attachment ("Levy") and will pay when due all indebtedness which may be secured by mortgage, lien or charge on the Mortgaged Property, superior to or equal to the lien of this Mortgage, and upon request will exhibit to the Mortgagee satisfactory evidence of such payment and discharge.

2.4 Payment of Impositions. The Mortgagor will pay when due and before any penalty and before they become delinquent all taxes, assessments, water charges, sewer charges, and other fees, taxes, charges and assessments of every kind and nature whatsoever assessed or charged against or constituting a lien on the Mortgaged Property or any interest therein ("Impositions"), and will upon demand furnish to the Mortgagee proof of the payment of any such Impositions.

2.5 Escrow for Taxes and Insurance. If demanded by the Mortgagee to secure the payment of the taxes and assessments referred to herein and the premiums on the insurance referred to herein, the Mortgagor will deposit with the Mortgagee each and every month accompanying each installment due under the Notes a sum which, in the estimation of the Mortgagee, shall be equal to one-twelfth of the annual taxes, assessments and insurance premiums. Said deposits shall be held by the Mortgagee, free of any liens or claims on the part of creditors of the Mortgagor and as part of the security of the Mortgagee, and shall be used by the Mortgagee to pay current taxes and assessments and insurance premiums on the Mortgaged

Property as the same accrue and are payable. If said deposits are insufficient to pay the taxes and assessments and insurance premiums in full as the same become payable, the Mortgagor will deposit with the Mortgagee such additional sum or sums as may be required in order for the Mortgagee to pay such taxes and assessments and insurance premiums in full.

2.6 Contest of Impositions, Liens and Levies. The Mortgagor shall not be required to pay, discharge or remove any Imposition, Lien or Levy so long as the Mortgagor shall in good faith contest the same or the validity thereof by appropriate legal proceedings which shall operate to prevent the collection of the Levy, Lien or Imposition so contested and the sale of the Mortgaged Property, or any part thereof to satisfy the same, provided that the Mortgagor shall, prior to the date such Levy, Lien or Imposition is due and payable, have given such security as the Mortgagee may reasonably require. Any such contest shall be prosecuted with due diligence and the Mortgagor shall promptly after final determination thereof pay the amount of any such Levy, Lien or Imposition so determined, together with all interest and penalties, which may be payable in connection therewith and further will indemnify and hold harmless the Mortgagee against all losses in connection therewith. Notwithstanding the provisions of this Section, the Mortgagor shall (and if the Mortgagor shall fail so to do, the Mortgagee may, but shall not be required to) pay any such Levy, Lien or Imposition notwithstanding such contest if in the judgment of the Mortgagee' s counsel, reasonably exercised, the Mortgaged Property shall be in danger of imminent loss by forfeiture or foreclosure.

2.7 Protection of Security. The Mortgagor agrees to promptly notify the Mortgagee of, to take all appropriate steps to tender defense to the appropriate insurer, and, if necessary, to appear in and defend any suit, action or proceeding that affects the Mortgaged Property, or the rights, interest, title to, possession of, or priority of the lien of this Mortgage. If appropriate appearance and defense is not entered, the Mortgagee may elect to appear in or defend any such action or proceeding and the Mortgagor agrees to indemnify and reimburse the Mortgagee from any and all loss, damage, expense or cost arising out of or incurred in connection with any suit, action or proceeding that affects the Mortgaged Property or the rights or interests of the Mortgagee, including costs of evidence of title and reasonable attorneys' fees.

2.8 Additional Assurances. The Mortgagor agrees, upon reasonable request by the Mortgagee, to execute and deliver such further instruments, financing statements under the Minnesota Uniform Commercial Code (the "Code") and assurances and will do such further acts as may be necessary or proper to carry out more effectively the purposes of this Mortgage, and without limiting the foregoing, to make subject to the lien hereof any property agreed to be subjected hereto or covered by the granting clauses hereof, or intended so to be. The Mortgagor agrees to pay any recording fees, filing fees, stamp taxes or other charges arising out of or incident to the filing or recording of the Mortgage and such further assurances and instruments. Mortgagor authorizes Mortgagee to file financing statements under the Code to enable Mortgagee to perfect its security interest in the Mortgaged Property.

2.9 Due on Sale, Etc. In the event the Mortgagor sells, conveys, transfers, leases (other than leases in the ordinary course of the Mortgagor's business), mortgages, encumbers, or disposes of the Mortgaged Property, or any part thereof, or any interest therein, or agrees so to do (other than as expressly provided herein or in the Loan Agreement), or merges or consolidates with another entity except as provided in [Section 4.2(A)] of the Loan Agreement, without the written consent of the Mortgagee being first obtained, then at the sole option of the Mortgagee, the Mortgagee may declare all indebtedness secured hereby due and payable in full and call for payment of the same in full at once. Consent as to any one transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions.

2.10 Rights Under Loan Agreement. The Loan Agreement sets forth the covenants and obligations of the HRA and the Mortgagor, including a provision that the Loan Agreement may not be effectively amended, changed or modified without the written consent of the Mortgagee, and reference is hereby made to the same for a detailed statement of such covenants and obligations, which are hereby incorporated herein.

2.11 Environmental Matters. To the Mortgagor's knowledge, there exists no uncorrected violation by the Mortgagor or in respect of the Mortgaged Property of any federal, state or local laws (including statutes, regulations, ordinances or other governmental restrictions and requirements) relating to the discharge of air pollutants, water pollutants or process waste water or otherwise relating to the environment or Hazardous Substances as hereinafter defined (collectively "Environmental Laws"). The term "Hazardous Substances" shall mean any hazardous or toxic wastes, chemicals or other substances, the generation, possession or existence of which is prohibited or governed by any Environmental Laws including, without limitation, hazardous substances, pollutants or contaminants, as defined in Minnesota Statutes Section 115B.02 (collectively "Hazardous Substances"). The Mortgagor is not subject to any judgment, decree, order or citation, or a party to (or threatened with) any litigation or administrative proceeding, which asserts that the Mortgagor (i) has violated any Environmental Laws; (ii) is required to clean up, remove or take remedial or other action with respect to any Hazardous Substances (collectively "Remedial Action"); or (iii) is required to pay all or a portion of the cost of any Remedial Action, as a potentially responsible party. To the Mortgagor's knowledge there are not now, nor after reasonable investigation have there ever been, any Hazardous Substances (or tanks or other facilities for the storage of Hazardous Substances) stored, deposited, recycled or disposed of on, under or at any real estate owned or occupied by the Mortgagor during the periods that the Mortgagor owned or occupied such real estate, which if present on the real estate or in soils or ground water, could require Remedial Action, other than as disclosed to Mortgagee in writing. To the Mortgagor's knowledge, there are no proposed or pending changes in Environmental Laws which would adversely affect the Mortgagor or its business, and there are no conditions existing currently or likely to exist while this Mortgage is in effect which would subject the Mortgagor to Remedial Action or other liability. To the Mortgagor's knowledge the Mortgagor currently complies with and will continue to timely comply with all applicable Environmental Laws; and will provide the Mortgagee, immediately upon receipt, with copies of any correspondence, notice, complaint, order or other document from any source asserting or alleging any circumstance or condition which requires or may require a financial contribution by the Mortgagor or Remedial Action or other response by or on the part of the Mortgagor under Environmental Laws, or which seeks damages or civil, criminal or punitive penalties from the Mortgagor for an alleged violation of Environmental Laws.

The Mortgagor agrees to indemnify and reimburse the Mortgagee, its successors and assigns, for any loss, damage, expense or cost arising out of or incurred by the Mortgagee which is a result of a breach, misstatement of or misrepresentation of the above covenants, representations and warranties, together with all reasonable attorneys' fees incurred in connection with the defense of any action against the Mortgagee arising out of the above. These covenants, representations and warranties are for the benefit of the Mortgagee, and any successor or assign of the Mortgagee, and shall be deemed to survive termination of this Mortgage.

ARTICLE III
INSURANCE

3.1 Property and Liability Insurance. The Mortgagor shall obtain and keep in full force and effect during the term of this Mortgage at its cost and expense, and at no expense to the Mortgagee: (a) builder's risk insurance during any renovation of the Project; (b) casualty insurance against loss by fire, lightning and risk customarily covered by standard extended coverage endorsement; (c) broad form boiler and machinery insurance on all equipment and pressure fired vehicles or apparatus customarily covered by such insurance and situated in the Building; (d) comprehensive commercial general liability insurance covering the liability of the Mortgagor against claims for bodily injury, death or property damage occurring on, in, or about the Land and the Building; and (e) such other insurance, including, but not limited to, workers' compensation insurance, as is customarily carried by prudent owners of comparable property to the Mortgaged Property. All such insurance policies shall be written on forms and with insurance companies reasonably satisfactory to the Mortgagee. The insurance required by subparagraphs (a), (b) and (c) shall name as the insured parties the Mortgagor and the Mortgagee as their interests may appear, shall be in form and amount sufficient to prevent the Mortgagor from becoming a coinsurer of any loss thereunder, shall be in such minimum amounts, with such deductibles, and with such limits as the Mortgagee may reasonably require, and shall bear a satisfactory mortgagee clause in favor of the Mortgagee with loss proceeds under any such policies to be made payable to the Mortgagee. The insurance required by subparagraphs (d) and (e) shall contain policy limits no less than that customarily carried by prudent owners of business comparable to Mortgagor's business. At the request of the Mortgagee, evidence of the payment of current premiums therefor shall be delivered to the Mortgagee. The Mortgagor shall, upon execution of this Mortgage, and within thirty (30) days prior to the expiration of any such policy, deliver to the Mortgagee copies of original policies or certificates of the insurer evidencing such insurance. Each policy shall contain a provision that the insurer will not cancel or modify it without giving written notice to the Mortgagor and the Mortgagee at least thirty (30) days before the cancellation or modification becomes effective. Subject to existing law, in the event of foreclosure of the Mortgage or any acquisition of the Mortgaged Property by the Mortgagee all such policies and any proceeds payable therefrom, whether payable before or after a foreclosure sale, or during the period of redemption, if any, shall become the absolute property of the Mortgagee to be utilized in its discretion. In the event of the foreclosure or the failure to obtain and keep any required insurance, the Mortgagor empowers the Mortgagee to effect insurance upon the Mortgaged Property at the Mortgagor's expense in the amounts and types aforesaid for a period of time covering the time of redemption from foreclosure sale, and if necessary therefor, to comply with any or all inspection reports and insurance recommendations received by Mortgagor from any insurer.

ARTICLE IV
UNIFORM COMMERCIAL CODE

4.1 Security Agreement. This Mortgage shall constitute a security agreement as defined in the Code and the Mortgagor hereby grants to the Mortgagee a security interest within the meaning of the Code in favor of the Mortgagee in fixtures, the Rents, the Awards and the Equipment, and in all similar property owned by Mortgagor during the term of this Mortgage, whether now owned or hereafter acquired (collectively, the "Collateral"), included in the Mortgaged Property.

4.2 Fixture Financing Statement. As to those items of Collateral described in this Mortgage that are, or are to become, fixtures relating to the real estate mortgaged herein, it is intended as to those items that THIS MORTGAGE SHALL BE EFFECTIVE AS A FINANCING STATEMENT FILED AS A FIXTURE FILING from the date of its filing in the real estate records of the county where the Mortgaged Property is situated.

Name and address of Debtor:	Hammer Residences, Inc. 1909 East Wayzata Boulevard Wayzata, MN 55391
Name and address of Secured Party:	Bremer Bank, National Association 225 South 6th Street, Suite 200 Minneapolis, MN 55402
Description of the types (or items) of property covered by this financing statement:	All Fixtures now located on the real property described on Exhibit "A" attached hereto.
Description of real estate which all or a part of the Collateral is attached or upon which it is located.	See Exhibit "A" attached hereto.

This document covers goods which are or are to become fixtures.

4.3 Representations and Agreements. (a) The Mortgagor is and will be the true and lawful owner of the Collateral mentioned in any financing statement, subject to no liens, charges, security interests and encumbrances other than the lien hereof and Permitted Encumbrances; (b) such Collateral is to be used by the Mortgagor solely for business purposes and is installed or being installed upon the Land and the Building for Mortgagor's own use; (c) except as permitted under Section 4.4 below, such Collateral will be kept at the Building and will not be removed therefrom without the consent of the Mortgagee, may be affixed to the Building but will not be removed therefrom without the consent of the Mortgagee, and may be affixed to the Building but will not be affixed to any other real estate; (d) unless stated otherwise in this Mortgage, the only persons having any interest in the Collateral are the Mortgagor and the Mortgagee and no financing statement covering any such property and any proceeds thereof is on file in any public office except to the Mortgagee; (e) the remedies of the Mortgagee hereunder are cumulative and separate, and the exercise of any one or more of the remedies provided for herein or under the

Code shall not be construed as a waiver of any of the other rights of the Mortgagee including having such Collateral deemed part of the realty upon any foreclosure thereof; (f) if notice to any party of the intended disposition of the Collateral is required by law in a particular instance, such notice shall be deemed commercially reasonable if given at least ten (10) days prior to such intended disposition and may be given by advertisement in a newspaper accepted for legal publications either separately or as part of a notice given to foreclose the real property or may be given by private notice if such parties are known to the Mortgagee; (g) the filing of a financing statement pursuant to the Code shall never impair the stated intention of this Mortgage that all items comprising the Collateral are and at all times and for all purposes and in all proceedings both legal or equitable shall be regarded as part of the property mortgaged hereunder irrespective of whether such item is physically attached to the real property or any such item is referred to or reflected in a financing statement; (h) the Mortgagor will on demand deliver all financing statements that may from time to time be required by the Mortgagee to establish and perfect the priority of the Mortgagee's security interest in the Collateral; and (i) the Mortgagor shall give advance written notice of any proposed change in the Mortgagor's name, identity or structure and will execute and deliver to the Mortgagee prior to or concurrently with such change all additional financing statements that the Mortgagee may require to establish and perfect the priority of the Mortgagee's security interest.

4.4 Replacement of Collateral. Subject to the provisions of this Section, if the Mortgagor in its sound discretion determines that any item subject to a security interest under this Mortgage has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary for the operation of the Mortgaged Property, the Mortgagor may, at its expense, remove and dispose of it and substitute and install other items not necessarily having the same function if such removal and substitution does not impair the operating utility and unity of the Mortgaged Property without first obtaining the consent of the Mortgagee so long as the cost of replacement of any such item does not exceed $250,000 and so long as the aggregate cost of replacements in any one year does not exceed $500,000. The Mortgagor may, at its expense, remove and dispose of an item and substitute and install other items not necessarily having the same function, only if such substituted items become a part of the Mortgaged Property and subject to the lien of the Mortgage, with no change in the priority of such lien. Any amounts received or allowed the Mortgagor upon the sale or other disposition of the removed items of property shall be applied first against the cost of acquisition and installation of the substituted items. Nothing herein contained shall be construed to prevent any tenant, subtenant, secured party, or occupant (other than the Mortgagor) from removing from the Land or Building trade fixtures, furniture and equipment installed by it and removable by tenant under its terms of a lease, or the subject of a prior security interest in its favor, on the condition, however, that the tenant, subtenant or secured party shall at is own cost and expense, repair any and all damages to the Mortgaged Property resulting from or caused by the removal thereof.

ARTICLE V
APPLICATION OF INSURANCE AND CONDEMNATION AWARDS

5.1 Damage or Destruction of the Mortgaged Property. The Mortgagor will give the Mortgagee prompt notice of any damage to or destruction of the Mortgaged Property. Any expense incurred by the Mortgagee or the Mortgagor in the adjustment and collection of insurance proceeds (including the cost of any independent appraisal of the loss or damage) shall be reimbursed first out of any proceeds. Any proceeds of any insurance payable by reason of loss or damage to the Mortgaged Property are hereby assigned and shall be paid to the Mortgagee with authority to apply the proceeds to the amounts outstanding on the Notes. All such proceeds shall be applied first to interest, if any, and then to the principal amount outstanding, and if the principal amount is payable in installments, said proceeds after payment of accrued interest, shall be applied to said installments in the inverse order of maturity. Provided no Event of Default has occurred and is continuing hereunder and no event has occurred which with notice or passage of time or both would mature into such an Event of Default, Mortgagor may elect to make repairs on the Mortgaged Property. The insurance proceeds necessary to undertake any repair work shall be deposited in escrow with a title insurance company qualified to do business in Minnesota, or with any other party mutually agreeable to the parties. Mortgagor shall also deposit into such escrow amounts in excess of such insurance proceeds as may be necessary to complete the repairs. Even if the insurance proceeds are unavailable or are insufficient to pay the cost of the repair work, Mortgagor shall at all times be responsible to pay the full cost of the repair work. All escrowed funds shall be disbursed by the escrowee in accordance with generally accepted sound construction disbursement procedures. The election by the Mortgagor may be made only by written notice to the Mortgagee and all plans, specifications, and contracts for the repair work must be approved in writing by the Mortgagee. The costs incurred, or to be incurred on account of such escrow shall be deposited by Mortgagor into such escrow before the commencement of the repair work. Mortgagor shall substantially complete such repair work so as to permit substantial resumption of business as soon as reasonably possible but in no event longer than 180 days from the date of loss or damage (such period to be extended in the event of natural disasters or other acts of God outside the control of Mortgagor that cause delays in completing such repair work) and in a good and workmanlike manner.

5.2 Condemnation. The Mortgagor will give the Mortgagee prompt notice of any action, actual or threatened, in condemnation or eminent domain and hereby assigns, transfers, and sets over to the Mortgagee the net proceeds of any award or claim for damages for all or any part of the Mortgaged Property taken or damaged under the power of eminent domain or condemnation, including any interim award made pending trial or appeal from trial. If in the judgment of the Mortgagee, reasonably exercised, the Mortgagor is not proceeding in a manner which safeguards the interests of the Mortgagee, the Mortgagee is hereby authorized to intervene in any such action in the name of the Mortgagor and to collect and receive from the condemning authorities and give proper receipts and acquittance for such proceeds. Any expenses incurred by the Mortgagee in intervening in such action or collecting such proceeds shall be reimbursed to the Mortgagee first out of the proceeds. Any award of damages under condemnation or payment in lieu thereof for injury to or the taking of all or any part of the Mortgaged Property are hereby assigned to the Mortgagee with authority to apply the proceeds to the amounts outstanding on the Notes. All such proceeds shall be applied first to accrued interest, if any, and then to the principal amount outstanding on the Notes, and if the principal amount is payable in installments, said proceeds, after payment of accrued interest, shall be applied to said installments in the inverse order of their maturity.

5.3 Disbursement of Insurance and Condemnation Proceeds. Should any insurance or condemnation proceeds be applied to the restoration or repair of the Mortgaged Property, the restoration or repair shall be done pursuant to plans and specifications of the Mortgagor as reasonably approved by the Mortgagee. In such case the proceeds shall be held by the Mortgagee for such purposes and will from time to time be disbursed by the Mortgagee to defray the costs of such restoration or repair under such safeguards and controls as the Mortgagee may reasonably require to assure completion in accordance with the approved plans and specifications and free of liens or claims. Any surplus which may remain after payment of all costs of restoration or repair will be applied against the indebtedness secured hereby.

ARTICLE VI
ASSIGNMENT OF RENTS AND LEASES

6.1 Assignment of Rents and Leases. Mortgagor hereby assigns to Mortgagee, as additional security, all rents, leases and profits now due or which may become due under or by virtue of any lease, license, sublease, or agreement, whether written or verbal, for the use or occupancy of the mortgaged premises, or any part thereof, whether before or after foreclosure or during any redemption period, and Mortgagee shall have the power irrevocably to manage, control and lease the mortgaged premises and collect such rents, leases and profits. However, this Article VI shall be enforceable by the Mortgagee only during such period of time as an Event of Default shall have occurred and shall be continuing hereunder.

ARTICLE VII
RIGHTS OF THE MORTGAGEE

7.1 Right to Cure Default. If the Mortgagor shall fail to comply with any of the covenants or obligations of this Mortgage, the Mortgagee may, but shall not be obligated to, after telephonic or other notice to the Mortgagor and without waiving or releasing the Mortgagor from any obligation in this Mortgage contained, remedy such failure, and the Mortgagor agrees to repay upon demand all sums incurred by the Mortgagee in remedying any such failure, together with interest at the Default Rate (as defined in the Notes). All such sums, together with interest as aforesaid, shall become indebtedness secured by this Mortgage, but no such advance shall be deemed to relieve the Mortgagor from any failure hereunder. Included in this right to remedy a default, the Mortgagor authorizes and empowers the Mortgagee, at its option, to effect such insurance, to pay unpaid premiums, to pay any Impositions, to cancel and discharge any Levies and Liens, and to enter upon and authorize others to enter upon any and all of the Mortgaged Property to perform any covenant, condition, or term which the Mortgagor shall fail to perform, meet or comply with or for any other purpose in connection with the protection or preservation of the Mortgagee's security, without becoming thereby liable to the Mortgagor or any person in possession holding under the Mortgagor.

7.2 No Claim Against the Mortgagee. Nothing contained in this Mortgage shall constitute any consent or request by the Mortgagee, express or implied, for the performance of any labor or services or for the furnishing of any materials or other property in respect of the Mortgaged Property or any part thereof, nor as giving the Mortgagor or any party in interest with the Mortgagor any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would create any personal liability against the Mortgagee in respect thereof or would permit the making of any claim that any lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the lien of this Mortgage.

7.3 Inspection. The Mortgagor will permit the Mortgagee's authorized representatives to enter the Land and the Building at all reasonable times for the purpose of inspecting the same; provided the Mortgagee shall have no duty to make such inspections and shall not incur any liability or obligation for making or not making any such inspections.

7.4 Waivers, Releases, Resort to Other Security, Etc. Without affecting the liability of any party liable under any of the Security Documents or performance of any obligation contained herein, and without affecting the rights of the Mortgagee with respect to any security not expressly released in writing, the Mortgagee may, at any time, and without notice to or the consent of the Mortgagor or any party in interest to the Mortgaged Property or any of the Security Documents (a) release any person liable under any of the Security Documents or from performance of any obligation herein, (b) make any agreement extending the time or otherwise altering the terms of the Security Documents or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof, (c) accept any additional security, (d) release or otherwise deal with any property, real or personal, including any or all of the Mortgaged Property, or (e) resort to any security agreements, pledges, contracts of guarantee, or other securities, and exhaust any one or more of said securities and the security hereunder, either concurrently or independently and in such order as it may determine.

7.5 Rights Cumulative. Each right, power or remedy herein conferred upon the Mortgagee is cumulative and in addition to every other right, power or remedy, express or implied, now or hereafter arising, available to the Mortgagee, at law or in equity, or under the Code, or under any other agreement, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by the Mortgagee and shall not be a waiver of the right to exercise at any time thereafter any other right, power or remedy. No delay or omission by the Mortgagee in the exercise of any right, power or remedy arising hereunder or arising otherwise shall impair any such right, power or remedy or the right of the Mortgagee to resort thereto at a later date or be construed to be a waiver of any default under this Mortgage.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

8.1 Events of Default. It shall be an Event of Default under this Mortgage if (a) an Event of Default (as defined therein) shall occur under the Loan Agreement, the Housing Mortgage, the Assignment or the Regulatory Agreement; (b) the Mortgagor shall fail to comply with or perform any of the other terms, conditions or covenants of this Mortgage and such default shall continue for a period of more than thirty (30) days after written notice of default from the Mortgagee to the Mortgagor; (c) any representation or warranty made by the Mortgagor in any financial statements, reports, the Security Documents and other documents submitted with this Mortgage to the Mortgagee is untrue in any material respect; (d) the Mortgagor shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any present or future federal bankruptcy act or under any similar federal or state law, or shall be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of the Mortgagor as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law not be discharged or denied within ninety (90) days after the filing thereof, or a receiver, trustee or liquidator of the Mortgagor, or of the Project, shall be appointed in any proceeding brought against the Mortgagor and shall not be discharged within ninety (90) days after such appointment or if the Mortgagor shall consent to or acquiesce in such appointment; or (e) the Mortgagor shall be dissolved, liquidated or wound up, except pursuant to or in connection with a transfer of the Mortgaged Property permitted under the terms of Section 2.9 of this Mortgage.

With respect to (b) above, if the default can be remedied but not within a period of thirty days after notice and if the Mortgagor has taken all action reasonably possible to remedy such default within such thirty day period, the default shall not become an Event of Default for so long as the Mortgagor shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Mortgagee in the exercise of its sole discretion. The Mortgagor agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Mortgagor from carrying out its agreements.

8.2 Acceleration. If an Event of Default shall occur, the Mortgagor confers upon the Mortgagee the option of declaring all indebtedness secured hereby, without advance notice to the Mortgagor, immediately due and payable.

8.3 Mortgagee’s Right to Foreclose. If an Event of Default shall occur, the Mortgagor hereby authorizes and fully empowers the Mortgagee to foreclose this Mortgage by action or advertisement upon written notice thereof to Mortgagor, all in accordance with and in the same manner prescribed by law, and out of the proceeds arising from sale and foreclosure to retain all such sums of money as the Mortgagee shall have expended or advanced pursuant to this Mortgage or pursuant to statute, together with interest thereon as herein provided, and all costs and expenses of such foreclosure, including lawful attorney’s fees, with the balance, if any, to be paid to the persons entitled thereto by law.

8.4 Receiver. If an Event of Default shall occur, the Mortgagee shall be entitled as a matter of right without notice and without giving bond and without regard to the solvency or insolvency of the Mortgagor, or waste of the mortgaged premises or adequacy of the security of the mortgaged premises, to apply for the appointment of a receiver in accordance with the statutes and law made and provided for who shall collect the rents, and all other income of any kind; manage the mortgaged premises so to prevent waste; execute leases within or beyond the period of receivership, pay all expenses for normal maintenance of the premises and perform the terms of this Mortgage and apply the rents, issues and profits in the following order to (i) payment of the reasonable fees of said receiver, (ii) application of tenant security deposits as required by Minnesota Statutes Section 504B.178, (iii) payment when due of prior or current real estate taxes or special assessments with respect to the mortgaged premises or if required by this Mortgage, payment of the periodic escrow for payment of the taxes or special assessments, (iv) the payment when due of premiums for hazard or liability insurance of the type required by this Mortgage or if required by this Mortgage, payment of the periodic escrow for the payment of the premiums, (v) keeping of the covenants required of a lessor or licenser pursuant to Minnesota Statutes, Section 504.18, and (vi) to the costs and expenses of the receivership, including reasonable attorney’s fees, to the repayment of the Mortgage debt and to the operation, maintenance, upkeep and repair of the mortgaged premises, including payment of taxes on the mortgaged premises and payments of premiums of insurance on the mortgaged premises. The

Mortgagor does hereby irrevocably consent to such appointment. Nothing contained in this Mortgage shall be construed as constituting the Mortgagee a mortgagee in possession.

8.5 Rights Under Uniform Commercial Code and Minnesota Law. In addition to the rights available to a mortgagee of real property, the Mortgagee shall also have all rights, remedies and recourse available to it as a secured party under the Code and Minnesota law, including all replevin rights and the right to proceed under the provisions of the Code governing default as to the Rent, the Awards and the Equipment which may be included in the Mortgaged Property or which may be deemed non-realty in a foreclosure of this Mortgage.

8.6 Right to Discontinue Proceedings. In the event the Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted under this Mortgage and shall thereafter elect to discontinue or abandon the same for any reason, the Mortgagee shall have the unqualified right to do so and in such event the Mortgagor and the Mortgagee shall be restored to their former positions with respect to the indebtedness secured hereby and this Mortgage, the Mortgaged Property and all the rights, remedies and recourse of the Mortgagee shall continue as if the same had not been invoked.

ARTICLE IX
MISCELLANEOUS

9.1 Release of Mortgage. When all the obligations of the Mortgagor have been performed, including the making of all payments due under the Loan Agreement and this Mortgage and all assignments herein contained shall be void and this Mortgage shall be automatically released by the Mortgagee at the cost and expense of the Mortgagor, otherwise this Mortgage shall remain in full force and effect.

9.2 Choice of Law. This Mortgage is made and executed under the laws of the State of Minnesota and is intended to be governed by the laws of said State.

9.3 Changes of Ownership. In the event that the ownership of the Mortgaged Property becomes vested in a person or persons other than the Mortgagor, the Mortgagee may continue to deal with the Mortgagor without any obligation to deal with such successor or successors in interest with reference to this Mortgage and the Loan Agreement until notified of such vesting. Upon such notification, the Mortgagee may thereafter deal with such successor in place of the Mortgagor without any obligation to thereafter deal with the Mortgagor and without waiving any liability of the Mortgagor hereunder or under the Loan Agreement. The Mortgagor shall give immediate written notice to the Mortgagee of any conveyance, transfer or change of ownership of the Mortgaged Property but nothing in this Section contained shall constitute the consent of the Mortgagee to any such conveyance, transfer or change or negate any provisions elsewhere in this Mortgage giving the Mortgagee the right to declare a default under this Mortgage. As provided in Section 2.9 hereof, the Mortgagee's consent to conveyances and other events shall not be unreasonably withheld.

9.4 Successors and Assigns. This Mortgage and each and every covenant, agreement and other provision hereof shall be binding upon the Mortgagor and its successors and assigns, including, without limitation, each and every record owner of the Mortgaged Property or any other person having an interest therein; it shall inure to the benefit of the Mortgagee and its successors and assigns.

9.5 Unenforceability of Certain Clauses. The unenforceability of or invalidity of any provisions hereof shall not render any other provision or provisions herein contained unenforceable or invalid.

9.6 Captions and Headings. The captions and headings of the various sections of this Mortgage are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

9.7 Notices. All notices of an Event of Default hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, with proper address as indicated. All other notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by regular mail, postage prepaid, with proper address as indicated below. The Mortgagor and the Mortgagee may, by written notice given by each other to the others, designate any other address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Mortgage. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To the Mortgagor:	Hammer Residences, Inc. 1909 E. Wayzata Boulevard Wayzata, MN 55391 Attn: Chief Financial Officer
To the Mortgagee:	Bremer Bank, National Association 4150 Second Street South St. Cloud, MN 56301 Attn: Sarah T. Barthel

9.8 Limitation of the HRA's Liability. No covenants, agreements or provisions contained in this Mortgage nor any agreement, covenant or undertaking by the HRA contained in any document executed by the HRA in connection with the Mortgaged Property or the issuance, sale and delivery of the Notes shall give rise to any pecuniary liability of the HRA or Wayzata or a charge against their general credit or taxing powers within the meaning of any constitutional or statutory provision whatsoever, or shall obligate the HRA or Wayzata financially in any way except with respect to the Mortgaged Property and the application or revenues therefrom and the proceeds of the Notes. No failure of the HRA to comply with any term, condition, covenant or agreement herein shall subject the HRA or Wayzata to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the Mortgaged Property or revenues therefrom or proceeds of the Notes. No execution on any claim, demand, cause of action or judgment shall be levied upon or collected from the general credit, general funds or taxing powers of the HRA or Wayzata.

9.9 Supplements or Amendments to this Mortgage. This Mortgage may not be supplemented or amended without the written consent of the Mortgagee and the Mortgagor.

[The remainder of page is blank; signature page follows.]

IN WITNESS WHEREOF, the Mortgagor has caused these presents to be executed as of the date first above written.

HAMMER RESIDENCES, INC.

By ____
Its ___________

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____day of September, 2013, by ___________, the ___________ of Hammer Residences, Inc., a Minnesota nonprofit corporation, on behalf of said corporation.

____
Notary Public

EXHIBIT A

LEGAL DESCRIPTION

Situated in the County of Hennepin, State of Minnesota, and described as follows:

Parcel 1:

Lot 2, Block 1, Wayzata Executive Park.

(Torrens Property, Certificate of Title No. 1061779)

Parcel 2:

Easements for vehicular and pedestrian ingress and egress purposes and for parking purposes, as created by and described in Access and Cross Parking Easement Agreement dated March 6, 2011, filed March 7, 2001, as Document No. 3365721.

EXHIBIT B
TO
MORTGAGE, SECURITY AGREEMENT,
AND FIXTURE FINANCING STATEMENT

"Permitted Encumbrances" means, as of any particular time:

> Permitted Encumbrances mean, as of any particular time, (a) liens for taxes, special assessments and governmental charges not then delinquent or, if then delinquent, are being contested in accordance with Section 2.6 of this Mortgage; (b) utility, access, and other easements, rights-of-way, restrictions, and exceptions affecting the Land; (c) such minor defects, irregularities, encumbrances, easements, rights-of-way, and clouds on title as normally exist with respect to property similar in character to the Land and as do not in the aggregate, in the opinion of counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Mortgagor; (d) any mechanic's, laborer's, materialmen's, supplier's, or vendor's lien if payment is not yet due under the contract in question or if such lien is being contested in accordance with Section 2.6 of this Mortgage; (e) building and zoning laws; (f) this Mortgage; (g) liens on the Land of record at the time of recording of this Mortgage, as described in the Mortgagee's policy of title insurance issued to the Mortgagee and acceptable to the Mortgagee; (h) liens subordinated to the lien hereof on terms acceptable to the Mortgagee; and (i) future purchase money liens on personal property.

Dated as of September ___, 2013 (reserved for recording data)

Assignment of Mortgage

FOR VALUABLE CONSIDERATION, the Housing and Redevelopment Authority in and for the City of Wayzata, a body corporate and politic of the State of Minnesota, as Assignor, hereby sells, assigns and transfers to Bremer Bank, National Association, a national banking association, as Assignee, located in St. Cloud, Minnesota, the Assignor's interest in the Mortgage, Security Agreement and Fixture Financing Statement dated as of September __, 2013, executed by Hammer Residences, Inc., a Minnesota nonprofit corporation, as Mortgagor, to the Assignor, as Mortgagee, and filed for record September ___ 2013, as Document Number ______________, in the Office of the County Recorder of Hennepin County, Minnesota.

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA

By ____
Its Chair

By ____
Its Executive Director

STATE OF MINNESOTA)
)ss.
COUNTY OF WINONA)

The foregoing instrument was acknowledged before me this ____ day of September, 2013, by ________________________________ and _________________________, respectively the Chair and Executive Director of the Housing and Redevelopment Authority of and for the City of Wayzata, a body corporate and politic of the State of Minnesota, on behalf of said body.

THIS INSTRUMENT WAS DRAFTED BY)

____
SIGNATURE OF PERSON TAKING ACKNOWLEDGEMENT

Briggs and Morgan, P.A. (TJH)
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2157

NOTARIAL STAMP OR SEAL

ASSIGNMENT OF LEASES AND RENTS

THIS ASSIGNMENT OF LEASES AND RENTS (the "Assignment") is made as of this __ day of September, 2013 by **HAMMER RESIDENCES, INC.**, a Minnesota nonprofit corporation (the "Assignor"), for the benefit of **BREMER BANK, NATIONAL ASSOCIATION**, a national banking association (the "Lender"), its successors and assigns.

WITNESSETH

WHEREAS, the Assignor is the owner of certain real property located in the County of Hennepin, State of Minnesota, legally described in Exhibit A attached hereto (the "Project Premises"); and

WHEREAS, the Housing and Redevelopment Authority in and for the City of Wayzata, a political subdivision organized and existing under the Constitution and laws of the State of Minnesota (the "HRA"), will issue and deliver its Multifamily Housing Revenue Notes (Hammer Residences, Inc. Project), Series 2013A and B in the aggregate principal amount of $5,500,000, bearing interest at variable rates set forth therein, which rates are incorporated herein by reference, and maturing no later than _________ __, 2025 (the "Notes"), under and pursuant to Minnesota Statutes, Chapter 462C and Section 469.152 through 469.1655, as amended; and

WHEREAS, the HRA will use the proceeds of the Notes to finance a portion of the costs of (a) refinancing the outstanding principal balance of the City of Wayzata ("Wayzata") $2,500,000 Revenue Bond (Hammer Residence, Inc. Project) dated December 27, 2006, relating to certain of the Mortgagor's facilities in Wayzata; (b) refinancing the outstanding principal balance of the City of Golden Valley ("Golden Valley") $800,000 Revenue Bond (Hammer Residences, Inc. Project) dated January 17, 2008, relating to certain of the Mortgagor's facilities, in Plymouth, MN ("Plymouth"); (c) refinancing the outstanding principal balance of Wayzata's $1,302,945.08 Refunding Revenue Bond (Hammer Residences, Inc. Project) dated July 1, 2010, relating to the Mortgagor's headquarters building located at 1909 Wayzata Boulevard in Wayzata (the "Headquarters"); (d) refinancing of certain conventional debt of the Mortgagor issued on November 11, 2009 and under a credit line used for capital improvements to certain of the Mortgagor's facilities in Wayzata, Plymouth and the City of Minnetonka, Minnesota ("Minnetonka"); and (e) additional capital expenditures including renovation and equipping and acquisition of database software for the Mortgagor's facilities in Wayzata, Minnetonka, Plymouth and Golden Valley (collectively, the "Project") and to pay costs of issuance of the Notes; and

WHEREAS, pursuant to a Loan Agreement, of even date herewith (the "Loan Agreement"), between the HRA and the Assignor, the Assignor has covenanted, among other things, to make loan payments (the "Loan Repayments") sufficient to pay the principal of, premium, if any, and interest on the Notes when due; and

WHEREAS, the HRA has, pursuant to a Pledge Agreement dated as of the date hereof between the HRA and the Lender (the "Pledge Agreement"), pledged and granted to the Lender a security interest in all of its right, title and interest in the Loan Agreement (except for certain rights to payment of certain expenses and fees and indemnification), including, but not limited to, its right to receive such Loan Repayments, in order to secure the full and prompt payment of the principal of, premium, if any, and interest on the Notes; and

WHEREAS, as a condition for the issuance of the Notes and the purchase and acceptance of the Notes by the Lender, the Assignor has agreed to secure the Notes by this Assignment:

WHEREAS, to secure payment of the Notes, the Assignor has also executed and delivered to the Lender, a Mortgage, Security Agreement and Fixture Financing Statement, of even date herewith (the "Mortgage") covering the Project Premise and has also executed and delivered to the HRA a Mortgage, Security Agreement and Fixture Financing Statement of even date herewith (the "Housing Mortgage" and together with the Headquarters Mortgage, the "Mortgages") which Housing Mortgage has been assigned by the HRA to the Lender; and

WHEREAS, the Assignor, may, from time to time hereafter, during such time as the indebtedness secured hereby remains outstanding, enter into leases and other agreements under which the Assignor is entitled to rents with respect to all or part of the Project with various persons or entities.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Assignor, the Assignor hereby grants, transfers and assigns to the Lender:

1.

All of the Assignor's interest in and to the "Leases." The term "Leases" as used in this Assignment shall be deemed to include any and all leases or subleases now or hereafter placed during the term of this Assignment upon, and any and all amendments thereto and any other agreement under which the Assignor is entitled to rent with respect to, all or part of the Project Premises.

2.

All rents, income, receipts, revenues and profits arising from the Leases and all renewals and extensions thereof together with all rents, income, profits, issues, revenues and benefits from the use and occupation of the Project Premises, including any sums payable to the Assignor by reason of physical damage to the Project Premises, whether accruing before or after foreclosure of the Mortgages or during the period of redemption thereof.

The Leases and all rents, income, profits, issues, benefits, proceeds, revenues and guarantees assigned hereby are hereinafter sometimes collectively referred to as "Collateral."

3.

All guarantees of the Leases; if any.

I.

THIS ASSIGNMENT is made for the purpose of providing additional security for and shall secure the same obligations as are secured by the Mortgages, to wit:

A. The payment of the principal sum, premium, if any, and interest on the Notes.

B. The payment of all other sums with interest thereon becoming due and payable to the Lender under the provisions of this Assignment, the Mortgages, the Pledge Agreement, the Loan Agreement or any other instruments evidencing, securing or concerning the Notes (the Loan Agreement, the Mortgages, the Pledge Agreement, this Assignment, the Regulatory Agreement and said instruments are sometimes collectively referred to as the "Loan Documents").

C. The performance and discharge of each and every obligation, covenant and agreement of the Assignor and the HRA contained in the Loan Documents.

II.

THE ASSIGNOR WARRANTS AND REPRESENTS to the Lender that the Assignor has full power and authority to execute and deliver this Assignment and that said execution and delivery has been duly authorized and does not conflict with or constitute a default under any law, or any other agreement or instrument binding upon the Assignor or the Project Premises.

III.

THE BORROWER COVENANTS with the Lender (i) to observe and perform all the obligations imposed upon the lessor under all Leases and not to do or permit to be done anything to impair the Lender's security; (ii) not to collect any of the rent, income or profits arising or accruing under the Leases or from the Project Premises in advance of the time when the same shall become due; (iii) except for an assignment subject to the terms of this Assignment, not to execute any other assignments of lessor's interest in the Leases or assignments of rents arising or accruing from the Leases or from the Project Premises; (iv) not to subordinate the Leases to any encumbrance or to permit, consent or agree to such subordination; (v) except in the normal course of business not to cancel or terminate the Leases or to accept a surrender thereof or to convey, transfer, suffer or permit a conveyance or transfer of the Project Premises or portion thereof or of any interest therein so as to effect, directly or indirectly, proximately or remotely, a termination or diminution of the obligations of lessees' under the Leases; (vi) not to alter, modify or change the terms of the Leases or give any consent or exercise any option except as required or permitted by the Leases; (vii) at the Lender's request, to execute and deliver all such further assurances and assignments in the Project Premises as the Lender shall from time to time require, including without limitation assignments of leases not yet executed; (viii) to keep the Leases free from any liens, encumbrances or security interests whatsoever, other than the security interest hereunder, or as may otherwise be expressly permitted by the Mortgages or the prior written consent of the Lender and promptly to pay or discharge all taxes assessed against the Leases and all liens which may attach thereto; (ix) to maintain the Leases in full force and effect and enforce the Leases in accordance with their terms; (x) to appear in and defend any action or proceeding arising under or in any manner connected with any of the Collateral; and (xi) to give prompt written notice to the Lender of any claim of default under the Leases together with a true and complete copy of any such claims.

IV.

THIS ASSIGNMENT is made on the following terms, covenants and conditions:

1. So long as (a) there shall exist no default by the Assignor in the timely payment of the indebtedness secured hereby as described in Section I above or in the performance of any other obligation, covenant or agreement set forth in the Loan Documents or in the Leases to be performed by the Assignor, (b) none of the material statements, representations or warranties made or furnished to the HRA or the Lender by or on behalf of the Assignor with respect to the Loan Documents be untrue or incomplete in any material respect as of the date made and (c) the Project is not subject to garnishment, levy, attachment or lien, other than Permitted Encumbrances, then in such event the Assignor shall have the right to collect at the time of, but not prior to, the date provided for the payment thereof, all rents, income, receipts, revenues, proceeds and profits arising under the Leases or from the Project described therein and to retain, use and enjoy the same.

2. Upon the occurrence of an Event of Default (as defined in the Loan Agreement) in the terms and conditions of the Loan Agreement or the Mortgages, and without regard to waste, adequacy of security or the solvency of the Assignor, Lender shall, upon application to the District Court in the County where the Project or any part thereof is located, be entitled to the appointment of a receiver for the rents, profits and all other income of every kind which shall accrue and be owing for the use and occupation of the Project or any part thereof. From and after the date of appointment of the receiver through the entire redemption period from any foreclosure sale, the receiver shall collect the rents, profits and all other income of any kind from the Project Premises, manage the Project Premises so as to prevent waste, execute leases within or beyond the period of the receivership if approved by the court, and apply all rents, profits and other income collected by the receiver in the following order:

(a) reasonable fees of the receiver;

(b) the items listed in Minnesota Statutes, Section 576.01, Subd. 2, (1)-(4) in the priority as numbered;

(c) expenses for normal maintenance, operation and management of the Project: and

(d) the balance at the election of the Lender, to the amount required to be paid to effect a reinstatement or redemption, as the case may be, pursuant to Minnesota Statutes, Sections 580.30, 580.23 or 581.10.

3. Upon the occurrence of an Event of Default under the terms and conditions of the Loan Agreement or the Mortgages and without regard to waste, adequacy of the security, or solvency of the Assignor, the Lender may collect all rents and profits from the occupiers of the Project upon the filing by the Lender, in the office of the County Recorder or, in the case of registered property, in the office of the Registrar of Titles, for the County in which the Project Premises are located, of a notice of the occurrence of said Event of Default and the service of said notice of default upon the occupiers of the Project Premises. The Lender shall apply all rents and profits so collected, from the date of filing and service upon the occupiers of notice of default through the redemption period from any foreclosure sale, in the same manner as is provided above where the rents and profits are collected pursuant to the appointment of a receiver. For the purpose aforesaid, the Lender may enter and take possession of the Project Premises and manage and operate the sale and take any action which, in the Lender's judgment, is necessary or proper to conserve the value of the Project Premises. The Lender may also take possession of, and for these purposes use, any and all of the property located on the Project Premises.

4. The Lender shall not be liable for any loss sustained by the Assignor resulting from the Lender's failure to let the Project Premises after default or from any other act or omission of the Lender in managing the Project Premises after default unless such loss is caused by the willful misconduct or bad faith of the Lender. The Lender shall not be obligated to perform or discharge any obligation, duty or liability under the Leases or under or by reason of this Assignment and the Assignor shall, and does hereby agree to, indemnify the Lender for, and to hold the Lender harmless from, any and all liability, loss or damage which may or might be incurred under the Leases or under or by reason of this Assignment and from any and all claims and demands whatsoever which may be asserted against the Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in the Leases. Should the Lender incur any such liability under the Leases or under or by reason of this Assignment or in defense of any such claims or demands, the amounts thereof, including costs, expenses and reasonable attorneys' fees, shall be secured hereby and by the Loan Documents, and the Assignor shall reimburse the Lender for such amounts immediately upon demand. It is further understood that this Assignment shall not operate to place responsibility either for the control, care, management or repair of the Project upon the Lender or for the carrying out of any of the terms and conditions of the Leases; neither shall this Assignment operate to make the Lender responsible or liable for any waste committed on the Project Premises by the tenants or any other parties, or for any dangerous or defective condition of the Project Premises or for any negligence in the management, upkeep, repair or control of the Project Premises resulting in loss or injury or death to any tenant, licensee, employee or stranger.

5. Upon payment in full of the Notes and interest thereon and all sums due under the Loan Documents, this Assignment shall become and be void and of no effect, but the affidavit, certificate, letter or statement of any officer, agent or attorney of the Lender showing any part of such obligations to remain unpaid shall be and constitute conclusive evidence of the validity,

effectiveness and continuing force of this Assignment and any person may, and is hereby authorized to, rely thereon. The Assignor hereby authorizes and directs the lessees named in any Leases now in effect or any other or future lessee or occupant of the Project upon receipt from the Lender of written notice to the effect that a default exists under the Leases or under the Notes, this Assignment or any other Loan Documents, to pay over to the Lender all rents, income and profits arising or accruing under the Leases or from the Project Premises and to continue so to do until otherwise notified by the Lender.

6. The Lender may take or release other security for the payment of said indebtedness, may release any party primarily or secondarily liable therefor and may apply any other security held by the Lender to the satisfaction of such indebtedness without prejudice to any of the Lender's rights under this Assignment.

7. Nothing contained in this Assignment and no act done or omitted by the Lender pursuant to the powers and rights granted to the Lender hereunder shall be deemed to be a waiver by the Lender of the Lender's rights and remedies under the Loan Documents. This Assignment is made and accepted without prejudice to any of the rights and remedies possessed by the Lender under the terms thereof. The right of the Lender to collect said indebtedness and to enforce any other security held by the Lender may be exercised by the Lender either prior to, simultaneously with, or subsequent to any action taken by the Lender hereunder.

8. In case of any conflict between the terms of this Assignment and the terms of the Loan Agreement or the Mortgages, the terms of the Loan Agreement or the Mortgages, as the case may be, shall prevail, but whenever possible, the provisions hereof shall be deemed supplemental to and not in derogation of the provisions of the Loan Agreement or the Mortgage.

9. Neither this Assignment nor any provisions hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

10. Whenever the singular or plural number, or the masculine, feminine or neuter gender is used herein, it shall equally include the other and any words or phrases capitalized herein but not defined shall have the meaning ascribed to them in Section 1.1 of the Loan Agreement.

11. This Assignment shall be governed by and interpreted in accordance with the laws of the State of Minnesota.

12. Time is of the essence in this Assignment.

THIS AGREEMENT, together with the covenants and warranties herein contained, shall inure to the benefit of the Lender and its successors and assigns and shall be binding upon the Assignor and the Assignor's successors and assigns and any subsequent owner of the Project Premises.

IN WITNESS WHEREOF, the Assignor has caused this Assignment of Leases and Rents to be duly executed as of the year and day first above written.

HAMMER RESIDENCES, INC.

By ___________________________________
Its ___________________________________

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this __ day of September, 2013, by ______________ _________________, the _______________ of Hammer Residences, Inc., a Minnesota nonprofit corporation, on behalf of said corporation.

____
Notary Public

[Notarial Seal]

EXHIBIT A
TO
ASSIGNMENT OF LEASES AND RENTS

Legal Description of Project Premises

REGULATORY AGREEMENT

between

BREMER BANK, NATIONAL ASSOCIATION

and

HAMMER RESIDENCES, INC.

Dated as of September __, 2013

This instrument drafted by:

Briggs and Morgan, P.A. (TJH)
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2157

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REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT (this "Regulatory Agreement") dated September __, 2013, by and between Hammer Residences, Inc., a Minnesota nonprofit corporation, its successors and assigns (the "Borrower") and Bremer Bank, National Association (the "Bank");

WITNESSETH

WHEREAS, the Borrower proposes that the Housing and Redevelopment Authority in and for the City of Wayzata (the "Issuer") assist in financing a portion of the costs of (a) refinancing the outstanding principal balance of the City of Wayzata ("Wayzata") $2,500,000 Revenue Bond (Hammer Residence, Inc. Project) dated December 27, 2006, relating to certain of the Mortgagor's facilities in Wayzata; (b) refinancing the outstanding principal balance of the City of Golden Valley ("Golden Valley") $800,000 Revenue Bond (Hammer Residences, Inc. Project) dated January 17, 2008, relating to certain of the Mortgagor's facilities, in Plymouth, MN ("Plymouth"); (c) refinancing the outstanding principal balance of Wayzata's $1,302,945.08 Refunding Revenue Bond (Hammer Residences, Inc. Project) dated July 1, 2010, relating to the Mortgagor's headquarters building located at 1909 Wayzata Boulevard in Wayzata (the "Headquarters"); (d) refinancing of certain conventional debt of the Mortgagor issued on November 11, 2009 and under a credit line used for capital improvements to certain of the Mortgagor's facilities in Wayzata, Plymouth and the City of Minnetonka, Minnesota ("Minnetonka"); and (e) additional capital expenditures including renovation and equipping and acquisition of database software for the Headquarters and certain of Mortgagor's facilities in Wayzata, Minnetonka, Plymouth and Golden Valley (collectively, the "Project"); and

WHEREAS, the Issuer will issue its $5,500,000 Multifamily Housing Revenue Notes (Hammer Residences, Inc. Project), Series 2013A and B (the "Notes") pursuant to a Resolution adopted by the Issuer in September 5, 2013 and a Loan Agreement dated of even date herewith, between the Issuer and the Borrower (the "Agreement") relating to the Notes which will be issued to the Bank; and

WHEREAS, interest on the Notes paid to the registered owners of the Notes is exempt from federal income tax if the residential portion of the Project continuously complies with Sections 142(d) or any successor provisions of the Internal Revenue Code of 1986, as amended, and Treasury Regulations applicable thereto (collectively, the "Code") and other applicable provisions of the Code are met; and

WHEREAS, compliance by the Project with Minnesota Statutes, Chapter 462C (the "Act") and with Section 142(d) or any successor provisions of the Code is in large part within the control of the Borrower; and

WHEREAS, the Issuer is unwilling to provide Notes proceeds to finance the Project unless the Borrower shall, by entering into this Regulatory Agreement, consent to be regulated by the Issuer and the Bank to assure compliance with the Act and to preserve the tax-exempt status of the Notes under Sections 142(d) or any successor provision of the Code;

NOW, THEREFORE, in consideration of the mutual premises and covenants hereinafter set forth, and of other valuable consideration, the Borrower, the Issuer and the Bank agree as follows:

AGREEMENT

Section 1. Definitions and Interpretation.

Unless otherwise expressly provided herein or unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below for all purposes of this Regulatory Agreement:

"Act" shall mean Minnesota Statutes, Chapters 462C, as amended;

"Adjusted Family Income" means the adjusted gross income of a person (together with the adjusted gross income of all persons who intend to reside with such person in a single residential rental unit), for the applicable Certification Year, as certified by such person in conformance with the requirements of this Regulatory Agreement, subject to such adjustments as shall be consistent with determinations of lower-income families under Section 8 of the United States Housing Act of 1937 and the regulations promulgated thereunder;

"Bond Counsel" shall mean Briggs and Morgan, P.A. or any other attorney at law or a firm of attorneys, acceptable to the Issuer and Bank, experienced in matters pertaining to the tax exempt financing of multifamily rental housing and duly admitted to the practice of law before the highest court of any state of the United States of America or of the District of Columbia;

"Borrower" shall mean Hammer Residences, Inc., a Minnesota nonprofit corporation, and its successors and assigns;

"Certification Year" means, with respect to any Lower-Income Tenant, the twelve month period which begins on the earlier of (i) the first date on which such Tenant first occupies a residential unit in the Project on a rental basis subsequent to the first date upon which such residential unit shall be available for rental subsequent to any acquisition, construction or rehabilitation financed in whole or in part from proceeds of the Loan; or (ii) the date on which such Tenant signs a lease with respect to a residential unit in the Project;

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any final, temporary or proposed regulations applicable thereto or promulgated thereunder;

"Costs of Issuance" shall mean any and all costs and expenses relating to the issuance, sale and delivery of the Notes, including, but not limited to, the underwriter's discount, all fees and expenses of legal counsel related to issuance of the Notes, financial consultants, feasibility consultants, the underwriter and accountants, any fee to be paid to the Issuer, the preparation and printing of the Loan Agreement, the Regulatory Agreement, the Notes, and all other expenses relating to the issuance, sale and delivery of the Notes and any other costs which are treated as "issuance costs" within the meaning of Section 147(g) of the Code;

"Delivery Date" shall mean the date of delivery of the Notes to the Bank;

"HAP Contract" means any Housing Assistance Payments Contract executed by and between the Borrower and a Public Agency pursuant to Section 8 of the United States Housing Act of 1937 (42 U.S.C. § 1437 f);

"HUD" shall mean the United States Department of Housing and Urban Development, or any successor to its functions;

"Issuer" shall mean the Housing and Redevelopment Authority in and for the City of Wayzata, a political subdivision under the laws of the State of Minnesota, and any successor to its functions;

"Loan" shall mean the loan of the proceeds of the Notes to be made by the Issuer to the Borrower pursuant to the Loan Agreement to provide financing for the Project;

"Loan Agreement" shall mean the Loan Agreement of even date herewith, between the Issuer and the Borrower;

"Loan Documents" shall mean this Regulatory Agreement, the Mortgage and the Loan Agreement;

"Lower Income Tenants" shall mean and include individuals or families with Adjusted Family Income which does not exceed fifty percent (50%) of Median Income, adjusted for family size; provided that Adjusted Family Income shall be determined in a manner consistent with determinations of median income made under the leased housing program established under Section 8 of the United States Housing Act of 1937, as amended and the regulations promulgated thereunder and in the manner prescribed in Treasury Regulations, Section 1.167(k)-3(b)(3), as said Section 8 and Treasury Regulations shall be in effect on the Delivery Date. In no event, however, will the occupants of a unit be considered to be of low or moderate income if all the occupants are full-time students (as defined in Section 151(e)(4) of the Code), no one of which is entitled to file a joint federal income tax return;

"Median Income" shall mean the median gross income for the area in which the Project is located as determined from time to time by the United States Department of Housing and Urban Development. For purposes of determining whether Adjusted Family Income qualifies a tenant for treatment as a Lower-Income Tenant, the Median Income shall be adjusted for family size;

"Mortgage" shall mean the Mortgage, Security Agreement and Fixture Financing Statement of even date herewith executed by the Borrower in favor of the Issuer and assigned by the Issuer to the Bank pursuant to an Assignment of Mortgage of even date herewith;

"Notes" shall mean the Issuer's $4,000,000 Multifamily Housing Revenue Note (Hammer Residences, Inc. Project), Series 2013A and its $1,500,000 Multifamily Housing Revenue Note (Hammer Residences, Inc. Project), Series 2013B;

"Program" shall mean the Issuer's program for financing the residential portions of the Project, as set forth in the Resolution, and this Regulatory Agreement;

"Project" shall mean the qualified residential rental project to be located on the real property described in Exhibit A hereto to be renovated and equipped by the Borrower and which shall be owned and operated as multifamily rental housing developments under the Act and as qualified residential rental projects within the meaning of Treasury Regulation, Section 1.103-8(b)(4), and Sections 142(a)(7) and 142(d) of the Code;

"Project Costs" shall have the same meaning as "Project Costs" as defined in the Loan Agreement;

"Qualified Project Period" shall mean a period beginning on the Delivery Date, and ending on the later of the date (i) which is fifteen (15) years after the later of the Delivery Date; (ii) the first day on which no tax-exempt private activity bonds issued with respect to the Project are outstanding; or (iii) on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates;

"Regulatory Agreement" shall mean this Regulatory Agreement between the Borrower and the Bank, pertaining to the Project;

"Resolution" shall mean the Resolution adopted by the Issuer on September 5, 2013, approving the Program and authorizing issuance of the Notes; and

Unless the context clearly requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The terms and phrases used in the recitals of this Regulatory Agreement have been included for convenience of reference only and the meaning, construction and interpretation of all such terms and phrases for purposes of this Regulatory Agreement shall be determined by references to this Section. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Regulatory Agreement or any provision hereof or in ascertaining intent, if any question of intent shall arise.

Terms and phrases used in this Regulatory Agreement and not defined herein shall have the meanings assigned to those terms in the Loan Agreement.

For the purposes of this Regulatory Agreement, the Notes shall be deemed "outstanding" until they have been fully paid and retired and no longer bear interest.

Section 2. Federal Requirements; Residential Rental Property.

For the purpose of compliance with Sections 42, 142(a)(7) of the Code, the Borrower represents, warrants and agrees that:

(1) At no time will either the Borrower or any affiliated party occupy a unit in the Project other than units occupied or to be occupied by agents, employees or representatives of the Borrower and reasonably required for the proper maintenance or management of the Project;

(2) The Project shall consist of several buildings or structure or proximate buildings or structures, (a) each containing one or more similarly constructed residential units which are to be used on other than a transient basis and any facilities which are functionally related and subordinate to such units within the meaning of Sections 142(a)(7) and 142(d) of the Code, (b) each unit in the Project is to be rented or available for rental on a continuous basis to members of the general public in accordance with the requirements of Sections 142(a)(7) and 142(d) of the Code; and (c) not less than 95% percent of each of the buildings in the Project will consist of residential rental housing facilities and facilities functionally related and subordinate thereto;

(3) The Project consists of several single "projects," and for this purpose, proximate buildings or structures are part of the same project only if owned for federal income tax purposes by the same person and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property;

(4) The Project shall not include any facility to be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium, rest home, or trailer park or court;

(5) The Project does not include any building or structure which contains fewer than five (5) units, one of which is occupied by an owner of the units;

(6) Each dwelling unit in the Project shall consist of separate and complete facilities for living, sleeping, eating, cooking and sanitation for a single person or family; and

(7) The twenty percent (20%) of the units in the Project required to be occupied by Lower Income Tenants will be substantially similar to all other units in the Project, and such Lower Income Tenants will enjoy equal access to all common facilities included in the Project.

Section 3. Lower Income Tenants; Federal Income Tax Law.

(1) To the end of satisfying the requirements of Section 142(d) of the Code relating to individuals of low income during the Qualified Project Period, the Borrower hereby represents, covenants and agrees as follows:

(a) At all times during the Qualified Project Period, at least twenty percent (20%) of the completed residential units in each building in the Project shall be occupied by Lower Income Tenants. The Borrower has elected under Sections 42(g)(1) and 142(d)(1) of the Code to meet the "20-50 Test" of Section 142(d)(2)(B) of the Code. For purposes of satisfying the requirements of the preceding two sentences, the following rules apply:

(i) the determination of whether an individual or family is a Lower-Income Tenant shall be made initially at the time the tenancy commences and at least annually thereafter on the basis of the then current income of the tenant (each a "Compliance Date");

(ii) if the tenant was a Lower-Income Tenant upon commencement of the tenant's occupancy, or as of any prior determination under Section 3(a)(i) and if, as of the Compliance Date, the Adjusted Family Income of the tenant is not in excess of one hundred twenty percent (120%) of 50% of Median Income, the tenant shall be deemed to be a Lower-Income Tenant. If, as of such Compliance Date, the Adjusted Family Income of the individual or family is in excess of such 120% of 50% of Median Income, the tenant shall no longer be deemed a Lower-Income Tenant if after such Compliance Date, but before the next Compliance Date, any unit of comparable or smaller size in the Project is rented to a new tenant whose Adjusted Family Income exceeds the Median Income;

(iii) any completed unit vacated by a Lower-Income Tenant shall be treated as being occupied by such prior Lower-Income Tenant until reoccupied, other than for a temporary period not to exceed thirty-one (31) days, at which time the character of the unit shall be redetermined. If necessary in order to comply with the federal occupancy percentage, the next available unit or units in the Project shall be made available only to individuals or families qualifying as Lower-Income Tenants; for this purpose the "next available unit" shall be any dwelling unit of comparable or smaller size vacated by its previous tenant.

(b) The Borrower agrees that in order to avoid violating the requirement that at all times during the Qualified Project Period at least twenty percent (20%) of the completed residential units in each building in the Project will be occupied by Lower-Income Tenants, the following requirements will apply:

(i) except as permitted by Revenue Procedure 2004-39, during initial rent up of the Project, until in respect to each of the buildings in the Project, at least twenty percent (20%) of the residential units rented up at any time (upon and after the first date upon which ten percent (10%) of the residential units are first occupied) will be occupied by Lower-Income Tenants; and during the initial rent-up of the Project, this requirement will be satisfied if at least twenty percent (20%) of the completed units rented to date have been rented to Lower-Income Tenants; and

(ii) the Borrower will refrain from renting residential units to persons other than Lower-Income Tenants as necessary to satisfy the requirements of subsection (a) and this subsection (b).

(c) Except as otherwise provided in Section 3(2) hereof, the Borrower shall, upon initial occupancy and annually thereafter, obtain and maintain on file a sworn, notarized income computation and certification in the form attached hereto as Exhibit D from each Lower Income Tenant residing in the Project and each such Lower Income

Tenant's Adjusted Family Income shall be computed in the manner required by Treasury Regulation, Section 1.167(k)-3(b), as it shall be in effect on the Delivery Date, or in such other form and manner as may be required by applicable rules, rulings, procedures, official statements, regulations or policies now or hereafter promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 142(d) of the Code.

(d) Except as otherwise provided in Section 3(2) hereof, the Borrower shall upon initial occupancy and annually thereafter, obtain and maintain on file from each Lower Income Tenant evidence reasonably sufficient to verify the Lower Income Tenant's income and assets, including as may be necessary (i) a copy of such Lower Income Tenant's most recently filed federal income tax return, (ii) a verification from the Lower Income Tenant's employer, if any, of the Lower Income Tenant's wages and other compensation, and (iii) verification of other sources of income, if any.

(e) Except as otherwise provided in Section 3(2) hereof, the Borrower shall prepare and submit to the Bank and on or before December 31 of each year during the Qualified Project Period and within 30 days after any change in occupancy of a residential unit in the Project by a Lower-Income Tenant, a Certificate of Continuing Compliance as to compliance with this Section 3, executed by the Borrower in substantially the form attached hereto as Exhibit B.

(f) The Borrower shall submit to the Secretary of the Treasury (at such time and such manner as the Secretary shall prescribe) an annual certification as to whether the Project continues to meet the requirements of subparagraph (a) above, all as required by Section 42(l)(2) and Section 142(d) of the Code. The Borrower understands that failure to make such annual certification will result in a penalty to the Borrower under §6652(j) of the Code.

(g) The twenty percent (20%) of the units in the Project required to be occupied by Lower-Income Tenants will be substantially similar to all other units in the Project, and such Lower-Income Tenants will enjoy equal access to all common facilities included in the Project.

Section 4. Tax Exempt Status of Notes. The Borrower hereby covenants, represents and agrees as follows:

(1) that the Borrower will not knowingly take, fail to take, or permit any action to be taken by any person under its control that would adversely affect the exclusion from gross income under Section 103 of the Code of the interest on the Notes and, if it should take, fail to take, or permit any such action, the Borrower shall take all lawful actions that it can take to rescind or perform such action promptly upon having knowledge thereof; and

(2) that the Borrower will take such action or actions, including amendment of the Loan Agreement, this Regulatory Agreement, or any related document, as may be necessary, in the opinion of Bond Counsel, to comply fully with all applicable rules, rulings, regulations, policies, procedures or other official statements promulgated or proposed by the Department of

the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142(d) of the Code, in order to preserve the tax-exempt status of the Notes, and will promptly provide to the Issuer and the Bank and to designated Bond Counsel any and all information reasonably necessary, in the opinion of Bond Counsel, to comply with any reporting requirements pertaining to obligations issued under Section 142(d) of the Code, or such low-income housing credit and to promptly notify the Issuer, the Bank and designated Bond Counsel should any information so provided become in any way inaccurate or incomplete, and promptly supply the additional information necessary to render the information supplied accurate and complete in all respects.

Section 5. Indemnification of Issuer and Bank.

The Borrower shall, to the fullest extent permitted by law, indemnify and hold harmless the Issuer and the Bank and their officers, directors, employees and agents, from and against (1) any and all claims arising from any cause whatsoever in connection with this Regulatory Agreement, the Loan or the Project; (2) any and all claims arising from any act or omission of the Borrower or any of its agents, servants, employees, or licensees in connection with this Regulatory Agreement, the Loan or the Project; (3) any false or untrue statement or alleged false or untrue statement of a material fact contained in an official statement or other offering material relating to the offering, sale, reoffering or transfer of the Notes or arising out of or based on any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and (4) all costs, counsel fees, expenses, and liabilities incurred in connection with any such claim or proceeding brought with respect to any thereof. The indemnity provided for in this Section shall not extend to matters arising from the willful misconduct or gross negligence of the Bank and shall not limit any other indemnity given under any other Loan Document. If any action or proceeding is brought against the Bank, as the case may be, or any of their respective officers, directors, officials or employees with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel acceptable to the Bank, as the case may be, and the payment of all expenses. The indemnified party shall have the right to employ separate counsel in any such action or proceeding and to participation in the defense thereof, and the Borrower shall be required to pay the fees and expenses of such separate counsel.

Section 6. Consideration.

The Issuer has adopted and implemented the Program and issued the Notes to obtain moneys to carry out the Program for the purpose, among others, of inducing the Borrower to acquire, construct and operate the Project to provide additional decent, safe and sanitary rental housing for persons of low income. In consideration of the adoption and implementation of the Program by the Issuer and the issuance of the Notes by the Issuer, the Borrower has entered into this Regulatory Agreement.

Section 7. Reliance.

The Bank and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Notes and in the exclusion from gross income under Section 103 of the Code of the interest on the Notes. In performing their duties and obligations hereunder, the Issuer and the Bank may rely upon statements and certificates of the Borrower or Lower Income Tenants believed to be genuine and to have been executed by the proper person or persons, and upon audits of the books and records of the Borrower pertaining to occupancy of the Project. In addition, the Issuer and the Bank may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Bank hereunder in good faith and in conformity with the opinion of such counsel.

Section 8. Covenants Run With the Land; Term; Burden and Benefit.

The Borrower hereby declares its express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to the Borrower's successors in title. Each and every contract, deed or other instrument hereafter executed covering or conveying the land included in the Mortgaged Property or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, regardless of whether or not such covenants are set forth in such contract, deed or other instrument. Unless sooner terminated in accordance with Section 13 hereof, such covenants, reservations and restrictions as are contained in Sections 2 and 3 hereof shall continue in full force and effect during the respective periods set forth therein, it being expressly agreed and understood that the provisions hereof are intended to survive the expiration of the Loan Documents, if such expiration occurs prior to those periods.

Section 9. Access to Project and to Books and Records.

(1) The Borrower will, upon reasonable request, permit the Bank to have access to, and to inspect and copy, the Borrower's books and records with respect to the Loan and the Project. The Borrower shall further grant, upon reasonable request, access to the Project to the Bank.

(2) Any request for access to, or to inspect and copy, books and records shall be made in writing and shall specify the date on which such access shall be granted (and such date shall not be earlier than one day following receipt by the Borrower of such request). The rights granted by subsection (a) shall be exercised during normal business hours. Such rights may be exercised by a representative, employee or agent of, or counsel to, the party making the request.

Section 10. Term.

The terms and provisions of this Regulatory Agreement shall become effective upon its execution and delivery. Except as otherwise provided in this Section and as otherwise provided in Section 3 hereof, this Regulatory Agreement shall remain in full force and effect for the Qualified Project Period or, if longer, the period that the Notes (or obligations issued to refund the Notes) remain Outstanding. It is expressly agreed and understood that certain provisions hereof are intended to survive the payment of the Loan and the Notes.

Notwithstanding any other provisions of this Regulatory Agreement, this entire Regulatory Agreement, or any of the provisions or Sections hereof, may be terminated upon written agreement by the Bank and the Borrower if there shall have been received an opinion of

Bond Counsel that such termination will not adversely affect the exclusion from gross income under Section 103 of the Code of the interest on the Notes.

Section 11. Events of Default; Enforcement; Limitation of Liability.

(1) Upon discovery by or notification to the Bank of any default in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, the Bank shall promptly notify the Borrower in writing of the existence and nature of such default. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of thirty (30) days after notice thereof shall have been given by the Bank to the Borrower, with a copy of such notice to the others (or for a longer period after such notice if such default is curable but requires acts to be done or conditions to be remedied which, by their nature, cannot be done or remedied within such 30 day period, and if the Borrower commences same within such thirty (30) day period and thereafter diligently and continuously prosecutes the same to completion within 120 days), then the Bank may, declare that the Borrower is in default hereunder and may, in addition to remedies available under the Loan Agreement, take any one or more of the following steps, at its option:

(a) by mandamus or other suit, action or proceeding at law or in equity, require the Borrower to perform its obligations and covenants hereunder, or enjoin any acts or things which may be unlawful or in violation of the rights of the Bank hereunder;

(b) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;

(c) take whatever other action at law or in equity may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder;

(d) to recover any monetary damages suffered by the Bank, as a consequence of any event of default; or

(e) the Bank may declare a default under the Loan Agreement, and proceed with remedies available to it under the Loan Agreement and this Agreement.

The Borrower hereby acknowledges and agrees that money damages will not be an adequate remedy at law for a default by the Borrower arising from a default hereunder, and therefore the Borrower agrees that the remedy of specific performance shall be available to the Bank in any such case, but without prejudice to the availability of monetary damage remedies. The provisions of this Section shall not apply in the event of an involuntary noncompliance caused by fire, seizure, requisition, condemnation or similar event, or a change in a federal law or an action of a federal agency after the date of issuance of the Notes, which prevents the Issuer from enforcing the terms of this Regulatory Agreement, but only if, within a reasonable period, either the Loan is retired and the Notes redeemed, or amounts received as a consequence of such event are used to provide a residential rental project which meets the terms of this Regulatory Agreement. Notwithstanding the foregoing, such requirements shall continue to apply to the Project subsequent to foreclosure, transfer of title by deed in lieu of foreclosure or similar event if, at any time subsequent to such event, the obligor on the acquired purpose obligation (as defined in Section 1.103-13(b)(4)(iv)(a) of the Regulations applicable to the Code) or a related person (as defined in Section 1.103-10(e) of such Regulations) obtains an ownership interest in the Project for federal tax purposes.

(2) No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the same or to obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation thereof at any later time or times. The Borrower agrees to pay, indemnify and hold the Bank harmless from any and all costs, expenses and fees, including all reasonable attorneys' fees which may be incurred by the Bank in enforcing or attempting to enforce this Regulatory Agreement following any event of default of the same on the part of the Borrower, whether the same shall be enforced by suit or otherwise, and the reasonable fees and expenses of Bond Counsel in connection with any opinion to be rendered hereunder.

(3) No remedy conferred herein or reserved to the Bank is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

(4) No delay or omission of the Bank to exercise any right or remedy provided hereunder upon an event of default (except a delay or omission pursuant to a written waiver) shall impair any such right or remedy or constitute a waiver of any such event of default or acquiescence therein. Every right and remedy given by this Section 11 or by law to the Bank may be exercised from time to time, and as often as may be deemed expedient by the Bank.

Section 12. Governing Law.

This Regulatory Agreement shall be governed by the laws of the State of Minnesota except to the extent that laws of the United States of America may prevail.

Section 13. Amendment; Termination.

(1) The provisions of this Regulatory Agreement shall not be amended, terminated or deleted prior to the stated term set forth in this Regulatory Agreement except by an instrument in writing duly executed by the Bank (if any Notes' principal remains outstanding) and the Borrower or their respective successors or assigns, or in accordance with paragraph (4) of this Section 13; provided, that the provisions of Section 3 hereof shall be terminated automatically upon expiration of the Qualified Project Period.

Unless sooner terminated or amended or deleted from this Regulatory Agreement as in this Section provided, each of the covenants and restrictions set forth in this Regulatory Agreement above shall continue in full force and effect while any Notes (or note obligations issued to refund the Notes) remain Outstanding, or, with respect to Section 3 during the Qualified Project Period, and shall thereupon terminate and be of no further force and effect, it being expressly agreed and understood that the provisions of this Regulatory Agreement hereof are intended to survive the expiration and satisfaction of any security instruments placed of record evidencing and securing financing arrangements made for the acquisition and renovation of the Project, if such expiration and satisfaction occurs prior to the expiration of the Qualified Project Period.

(2) At any "Appropriate Time", as hereinafter defined, the Borrower, or its successors or assigns, may request that the Bank execute and deliver to the then-owner of the Project a Certificate of Amendment or Termination or Deletion of Covenants in the form attached to this Declaration as Exhibit C, which Certificate shall have been previously executed by the Borrower, its successor or assign. If the Borrower's request is made at an "Appropriate Time", the Bank will execute and deliver to the Borrower, the Certificate of Amendment or Termination or Deletion of Covenants. Any such certification entered into by the Bank shall be (and it shall be so provided in the certification itself) a conclusive determination of the amendment or the satisfaction and termination or deletion of the covenants and restrictions in this Declaration with respect to the obligations of the Borrower and its successors and assigns under this Regulatory Agreement, it being the intention of the Bank and the Borrower that upon the execution and filing of any amendment such covenants and restrictions shall thereafter and for all purposes be modified and amended and that upon the granting and filing of any termination or deletion such covenants and restrictions shall thereafter for all purposes be forever terminated or deleted from this Regulatory Agreement.

(3) It shall be an "Appropriate Time" for the Bank's execution and delivery of the Certificate of Amendment or Termination or Deletion of Covenants with respect to termination or deletion at the expiration of the stated term of such covenants and restrictions as set forth in this Regulatory Agreement. Prior to such expiration of the stated term, it shall be an "Appropriate Time" for the execution and delivery of the Certificate of Amendment or Termination or Deletion of Covenants only if the Borrower delivers to the Bank with the Borrower's request, a written opinion of Bond Counsel addressed to the Borrower and the Bank to the effect that the amendment or earlier termination or deletion from this Regulatory Agreement of such covenants and restrictions will not adversely affect the exemption from federal income taxation of interest already received or to be received on the Notes. Such opinion of Bond Counsel shall clearly state whether it addresses amendment, termination or deletion of the covenants and restrictions hereof and shall specify the applicable paragraph of Exhibit D to be included in the Certificate of Amendment or Termination or Deletion of Covenants. Upon receipt of such request of the Borrower and accompanying opinion, the Bank shall execute and deliver the Certificate of Termination or Deletion of Covenants to the Borrower.

(4) The provisions hereof shall be deemed to be no longer in effect in the event of noncompliance with the provisions of Sections 142(a)(7) and 142(d) of the Code and Treasury Regulations promulgated or proposed thereunder or applicable thereto if such noncompliance is caused by involuntary loss caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in federal law or an action of a federal agency after the date of issue of the Notes (which change in law or action prevents the Bank from enforcing the requirements hereof), or condemnation or similar events, but only if within a reasonable period a principal amount of the Notes equal to the outstanding principal amount of the Loan are paid and redeemed. To evidence an event of the kind stated in this paragraph (4), the Bank or other appropriate person shall execute and deliver a Certificate of Termination of Covenants in substantially the form of Exhibit C attached hereto upon receipt of an opinion of Bond Counsel to the effect that termination of this Regulatory Agreement as a result of such event will not

adversely affect the exemption from federal income taxation of interest received or to be received on the Notes. If the Notes are not paid and redeemed, either (i) any amounts received as a consequence of such event shall be used to provide a project which meets the requirements of Sections 142(a)(7) and 142(d) of the Code and Treasury Regulations promulgated or proposed thereunder or applicable thereto or (ii) the Bank, or other person shall expressly assume the obligations of the Borrower thereunder and shall further agree to be bound by and comply with the terms of this Regulatory Agreement. The provisions of this paragraph (4) shall be deemed to be inoperable, and the requirements hereof shall continue in effect, if the operation of this paragraph (4) would subject the interest on the Notes to federal income taxation.

(5) The provisions of this Regulatory Agreement may be amended to take into account any additional series of refunding bonds issued to redeem the remaining outstanding Notes.

Section 14. Additional Covenants of the Borrower.

(1) The Borrower hereby covenants to keep and perform faithfully all of its covenants and undertakings contained herein and in the Loan Agreement and the Loan Documents.

(2) The Borrower hereby covenants to maintain its existence under all applicable laws and regulations and to commit or suffer no act that would alter its legal existence which would impair the tax exempt status of the Notes.

(3) The Borrower hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the reasonable opinion of the Bank, to carry out the intent hereof and of the agreements and instruments related hereto or to perfect or give further assurances of any of the rights granted or provided for herein or in the agreements and instruments related hereto.

(4) The Borrower hereby covenants to advise the Bank promptly in writing of the occurrence of any default hereunder or any event which, with the passage of time or service of notice, or both, would constitute a default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

(5) The Borrower hereby covenants that no information, certificate, statement in writing or report required hereby to be delivered to the Bank will contain any untrue statement or a material fact or omit a material fact necessary to make such information, certificate, statement or report not misleading.

Section 15. Notices.

Any notice required to be given hereunder shall be given by registered or certified mail at the addresses specified below or at such other addresses as may be specified in writing by the parties hereto:

Bank: Bremer Bank, National Association
4150 Second Street

St. Cloud, Minnesota 56301
Attn: Sarah T. Barthel

Borrower: Hammer Residences, Inc.
1909 E. Wayzata Boulevard
Wayzata, Minnesota 55391
Attn: Chief Financial Officer

Section 16. Severability.

If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired.

Section 17. Multiple Counterparts.

This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be deemed to be an original.

Section 18. Recording.

This Regulatory Agreement shall be recorded in the Office of the County Recorder or Registrar of Titles as appropriate, of Hennepin County, Minnesota.

(Remainder of page intentionally blank. Signature page follows.)

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective duly authorized representatives, as of the day and year first written above.

BREMER BANK, NATIONAL ASSOCIATION

By: ______________________________________

Its: ______________________________________

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

On this ____ day of September, 2013, before me personally appeared Sarah T. Barthel, to me known to be the person who executed this instrument as ______________________________ of Bremer Bank, National Association, a national banking association, on behalf of such association.

____
Notary Public

HAMMER RESIDENCES, INC.

By:______________________________________

Its: ______________________________________

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

On this ____ day of September, 2013, before me personally appeared ______________________, to me known to be the person who executed this instrument as ____________________ of a Minnesota nonprofit corporation partnership on behalf of such corporation.

____
Notary Public

EXHIBIT A

Legal Description

EXHIBIT B

Certification of Continuing Program Compliance

Witnesseth that on this _____ day of ______________, ____, the undersigned ("Borrower"), having received the proceeds of the Housing and Redevelopment Authority in and for the City of Wayzata, $5,500,000 Multifamily Housing Revenue Notes (Hammer Residences, Inc. Project), Series 2013A and 2013B for the purpose of the financing certain multifamily housing developments located in Hennepin County, Minnesota (the "Project"), does hereby certify that the Project is in continuing compliance with the Regulatory Agreement, dated September 6, 2013, executed by the Borrower, with respect thereto and filed in the official public records of Hennepin County, Minnesota (including the requirement that all units be and remain rental units), that a Certification of Tenant Eligibility is attached hereto for each new tenant in such Project since the filing of the last such certification and that the same are true and correct to the best of the Borrower's knowledge and belief. The Borrower certifies that as of the date hereof at least 20% of the residential dwelling units in the Project are occupied or held open for occupancy by Lower Income Tenants, as defined and provided in the Regulatory Agreement.

HAMMER RESIDENCES, INC.

By:___________________________________

Its: ___________________________________

EXHIBIT C

Certification of Amendment or Termination or Deletion of Covenants

WHEREAS, Hammer Residences, Inc. (the "Borrower") and Bremer Bank, National Association, a national banking association (the "Bank") have executed a certain Regulatory Agreement, dated September __, 2013 (the "Agreement") recorded on September __, 2013, in the office of the County Recorder for Hennepin County, Minnesota, as Document No. ___________, with respect to the following described land, to wit:

[INSERT LEGAL DESCRIPTION]

WHEREAS, the Agreement contained certain covenants and restrictions in Sections 2 and 3 thereof which were intended to run with the land and be binding upon the Borrower, its successors and assigns;

WHEREAS, the Bank, its successors and assigns, were given in the Agreement the full and absolute right and obligation to amend or terminate or delete such restrictions and to execute and deliver this Certificate for and on behalf of all persons and entities who might have been benefitted by such covenants and restrictions; and

WHEREAS, under the terms and provisions of Section 13 of the Agreement it is now an Appropriate Time (as such term is defined in the Agreement) to deliver this Certificate and to amend or terminate or delete such covenants and restrictions;

NOW, THEREFORE, This is to certify that (DELETE (a) or (b) or (c) IF INAPPLICABLE]: (a) the covenants and restrictions set forth in Sections 2 and 3 of the Agreement are null and void and of no further force or effect; the County Recorder of Registrar of Titles in and for the County of Hennepin and State of Minnesota is hereby authorized to accept this instrument for recording as a conclusive determination of the termination and release of all covenants and restrictions set forth in Sections 2 and 3 of the Agreement, as specified and as a complete termination of all rights and other remedial provisions of the Agreement or (b) the covenants and restrictions set forth in Sections 2 and 3 (or any of them, as specified: ___________________), of the Agreement are hereby deleted from the Agreement, provided that deletion of such covenants and restrictions from the Regulatory Agreement shall not affect covenants and restrictions contained in any document or instrument delivered in connection with the issuance of the Multifamily Housing Revenue Notes (Hammer Residences, Inc. Project), Series 2013A and B issued by the Issuer, or the enforceability thereof against successors and assigns of the Borrower in accordance with the terms thereof; the County Recorder or the Registrar of Titles in and for the County of Hennepin and State of Minnesota is hereby authorized to accept this instrument for recording as a conclusive determination of the deletion from the Agreement of all covenants and restrictions set forth in Sections 2 and 3 (or either of them) as specified:

Dated this _____ day of __________________, ____.

BREMER BANK, NATIONAL ASSOCIATION

By:____________________________________

Its: ____________________________________

HAMMER RESIDENCES, INC.

By:____________________________________

Its: ____________________________________

STATE OF MINNESOTA)
) SS.
COUNTY OF ________)

The foregoing instrument was acknowledged before me this ____ day of ___________, _____, by __________________, the _______________________ of Hammer Residences, Inc., a Minnesota nonprofit corporation on behalf of said corporation.

____
Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF ________)

On this ____ day of ___________, _____, before me personally appeared ________________________, to me known to be the person who executed this instrument as _____________________________ of Bremer Bank, National Association, a national banking association, on behalf of such association.

____
Notary Public

EXHIBIT D

Income Computation and Certification

Lower Income Tenants
(to be revised per current regulations, as necessary)

Address: ________________________
____

Owner: Hammer Residences, Inc.

1. I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, frankly and personally each of the following questions for all persons (including minors) who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

1	2	3	4	5
Name of Members of the Household	Relationship to Head of Household	Social Security Number	Age	Place of Employment
_________________	HEAD	___________	____	___________________
_________________	SPOUSE	___________	____	___________________
_________________	_________________	___________	____	___________________
_________________	_________________	___________	____	___________________

Income Computation

2. The anticipated income of all the above persons during the 12 month period beginning this date,

a. including all wages and salaries, overtime pay, commissions, fees, tips and bonuses before payroll deductions, net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness); interest and dividends; the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts; payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay; the maximum amount of public assistance available to the above persons; periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling; and all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; but

b. excluding casual, sporadic or irregular gifts; amounts which are specifically for or in reimbursement of medical expenses; lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged for the allotments; and payments received pursuant to participation in ACTION volunteer programs, is as follows: $_____________.

3. If any of the persons described above (or whose income or contributions was included in item 6) has any savings, bonds, equity in real property or other form of capital investment, provide:

a. the total value of all such assets owned by all such persons: $

b. the amount of income expected to be derived from such assets in the 12 month period commencing this date: $, and

c. the amount of such income which is included in item 6: $

4. Students:

a. Will all of the persons listed in column 1 above be or have they been full time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes ______ No ______

b. Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes ______ No ______

We acknowledge that all of the above information is relevant to the status under federal income tax law of the interest on the Note or other obligations issued to finance the apartment for which application is being made. We consent to the disclosure of such information to the issuer of such Note or other obligations, the holders of such Note or other obligations and any trustee acting on their behalf.

THE UNDERSIGNED HEREBY CERTIFY THAT THE INFORMATION SET FORTH ABOVE IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGE THAT THE LEASE FOR THE UNIT TO BE OCCUPIED BY THE UNDERSIGNED WILL BE CANCELED UPON TEN (10) DAYS WRITTEN NOTICE IF ANY OF THE INFORMATION ABOVE IS NOT TRUE AND CORRECT.

____
Tenant

____
Tenant

Subscribed and sworn to before me this ____ day of ___________, ____.

(Notary Seal)

____
Notary Public in and for the
State of ______________________________
My Commission Expires:

FOR COMPLETION BY BORROWER
(OR ITS MANAGER) ONLY

5. Calculation of eligible tenant income:

   a. Enter amount entered for entire household in 6 above: $____________

   b. If the amount entered in 7.a above is greater than $5,000, enter the greater of (i) the amount entered in 7.b less the amount entered in 7.c or (ii) 10% of the amount entered in 7.a.: $____________

   c. TOTAL ELIGIBLE INCOME (Line 1.a plus line 1.b): $____________

6. The amount entered in 1.c is less than or equal to 60% of Median Income for the area in which the Project is located, as defined under the Regulatory Agreement ("Lower Income Tenant").

7. Number of apartment unit assigned:

8. This apartment unit was ____ was not ____ last occupied for a period of at least 31 consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit was less than or equal to 60% of Median Income in the Area.

THE UNDERSIGNED HEREBY CERTIFIES THAT HE/SHE HAS NO KNOWLEDGE OF ANY FACTS WHICH WOULD CAUSE HIM/HER TO BELIEVE THAT ANY OF THE INFORMATION PROVIDED BY THE TENANT MAY BE UNTRUE OR INCORRECT.

HAMMER RESIDENCES, INC.

By:______________________________

Its: ______________________________

JOINT POWERS AGREEMENT
(HAMMER RESIDENCES, INC. PROJECT)

THIS AGREEMENT is entered into as of the 6th day of September, 2013, between Housing and Redevelopment Authority in and for the City of Wayzata, Minnesota ("HRA") and the City of Golden Valley, Minnesota ("Golden Valley"), the City of Plymouth, Minnesota ("Plymouth"), and the City of Minnetonka, Minnesota ("Minnetonka") (collectively, the "Cities", or individually, a "City"). Each of the Cities named above is a municipal corporation duly organized under the laws of the State of Minnesota.

1. Minnesota Statutes, Section 471.59 (the "Joint Powers Act") provides that two or more governmental units, by agreement entered into through action of their governing bodies, may jointly or cooperatively exercise any power common to the contracting parties, and may provide for the exercise of such power by one of the participating governmental units.

2. In connection with revenue bonds issued under Minnesota Statutes, Chapter 462C (the "Act"), Section 462C.14, Subd. 3 provides for joint action among cities or housing and redevelopment authorities pursuant to the Joint Powers Act.

3. Hammer Residences, Inc., a Minnesota nonprofit corporation (the "Borrower"), has proposed that the HRA and the Cities enter into this agreement pursuant to the Act, pursuant to which the HRA will issue a series of revenue bonds (collectively, the "Note") in an amount not to exceed $5,500,000 and loan the proceeds thereof to the Borrower to finance the project described in Exhibit A.

4. The HRA and each City will adopt a resolution (i) evidencing its intent to undertake the housing program described in Exhibit B as applicable to such City, (ii) evidencing its intent to enter into this Agreement, and (iii) granting host approval (or, in the case of the HRA, granting approval) to the issuance of the Note as required under the Internal Revenue Code of 1986, as amended.

5. The HRA shall exercise the powers of the Act by adopting, approving and executing such resolutions, documents, and agreements as shall be necessary or convenient to authorize, issue, and sell the Note and such other resolutions, documents, and agreements as shall be necessary or required in connection with the issuance of the Note and giving effect to or carrying out the provisions of this Agreement and documents under which the Note are issued and/or secured.

6. The Note, as and when issued, will not constitute a charge, lien or encumbrance upon any property of the HRA or any of the Cities, except the revenues derived from the Project. The Note will not be a charge against the general credit or taxing powers of the HRA or the Cities, but are payable from sums to be paid by the Borrower pursuant to a revenue agreement.

7. This Agreement shall terminate upon the retirement or defeasance of the Note, and this Agreement may not be terminated in advance of such retirement or defeasance.

8. This Agreement may be executed in counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

9. All costs incurred by the Cities and the HRA in the authorization, execution, delivery, and performance of this Cooperative Agreement and all related transactions shall be paid by the Borrower.

10. Pursuant to Section 4.3 of the Loan Agreement, dated as of October 1, 2013 (the "Loan Agreement"), between the HRA and the Borrower, the Borrower has agreed to indemnify and hold harmless the HRA and the Cities and their officers, agents and employees harmless from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses), causes of action, suits, claims, demands and judgments of any nature arising from the acts or omissions of the respective officers, agents, or employees of the Borrower or related to the issuance of the Bonds. The Cities shall be third-party beneficiaries to the Loan Agreement for such indemnification rights.

(Remainder of page intentionally blank.)

IN WITNESS WHEREOF, each of the Cities has caused this Agreement to be executed on its behalf by its duly authorized officers, all as of the day and year first above written.

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF WAYZATA, MINNESOTA, as Issuer

By ______________________________
Its Chair

By ______________________________
Its Executive Director

SIGNATURE PAGE TO JOINT POWERS AGREEMENT

[Intentionally Omitted]

SIGNATURE PAGE TO JOINT POWERS AGREEMENT

CITY OF GOLDEN VALLEY, MINNESOTA

By ____
Its Mayor

By ____
Its Manager

SIGNATURE PAGE TO JOINT POWERS AGREEMENT

CITY OF PLYMOUTH, MINNESOTA

By ______________________________
Its Mayor

By ______________________________
Its Manager

SIGNATURE PAGE TO JOINT POWERS AGREEMENT

CITY OF MINNETONKA, MINNESOTA

By ______________________________________
Its Mayor

By ______________________________________
Its Manager

SIGNATURE PAGE TO JOINT POWERS AGREEMENT

EXHIBIT A

Description of Project

Hammer Residences, Inc., Minnesota nonprofit corporation (the “Borrower”) has requested financing for a portion of the costs of (1) refinancing the outstanding principal balance of the City of Wayzata, Minnesota (“Wayzata”) $2,500,000 Revenue Bond (Hammer Residence, Inc. Project) dated December 27, 2006, relating to certain of the Borrower’s facilities in Wayzata; (2) refinancing the outstanding principal balance of the City of Golden Valley (“Golden Valley”) $800,000 Revenue Bond (Hammer Residences, Inc. Project) dated January 17, 2008, relating to certain of the Borrower’s facilities, in Plymouth, MN (“Plymouth”); (3) refinancing the outstanding principal balance of the City’s $1,302,945.08 Refunding Revenue Bond (Hammer Residences, Inc. Project) dated July 1, 2010, relating to the Borrower’s headquarters building at 1909 E. Wayzata Boulevard, Wayzata; (4) refinancing of certain conventional debt of the Borrower issued on November 11, 2009 and under a credit line used for capital improvements to certain of the Borrower’s facilities listed below; and (5) additional capital expenditures including renovation and equipping and acquisition of database software for use at the Borrower’s headquarters building in Wayzata and certain other facilities listed below (collectively, the ”Project”). A list of the Borrower’s facilities that may be included in the Project are set forth below:

Wayzata:

1909 East Wayzata Boulevard	550 Broadway Avenue North
401 Ridgeview Drive	

Minnetonka:

13618 North Knollway Drive	2509 Cedarwood Ridge
15504 Holdridge Drive	13612 Wentworth Trail
16325 County Road 15	4045 Dublin Drive
2412 Sheridan Hills Curve	5209 Michaele Lane
11110 Sumac Lane	4701 Caribou Drive

Plymouth:

1120 Ives Lane North	1530 Garland Lane North
2611 Black Oaks Lane	2020 Queensland Lane North
2830 Black Oaks Lane	420 Merrimac Lane
17005 13th Avenue North	16205 14th Avenue North
13255 1st Avenue North	18300 26th Avenue North
10805 38th Place North	11300 42nd Avenue North
3945 Orleans Lane	4525 Zachary Lane North
18115 30th Avenue North	

Golden Valley:

300 Jersey Avenue North	2025/2027 Unity Avenue North
2825 Lee Avenue North	

EXHIBIT B

PROGRAM FOR MULTIFAMILY HOUSING DEVELOPMENTS UNDER MINNESOTA STATUTES, CHAPTER 462C

HAMMER RESIDENCES, INC. PROJECT

This housing program has been developed by the Housing and Redevelopment Authority in and for the City of Wayzata, Minnesota (the "HRA") and the Cities of Golden Valley, Minnetonka and Plymouth (collectively, the "Cities") in connection with the financing of capital improvements to and renovations of certain multifamily housing developments for adults with developmental and other disabilities located in the City of Wayzata and in the Cities (the "Developments"). The Developments are owned by Hammer Residences, Inc., a Minnesota nonprofit corporation (the "Borrower"), and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). All of the facilities that will be included in the Developments are identified on Exhibit A hereto. No new housing is being acquired or constructed. Financing for the Developments and for the refinancing of certain existing tax-exempt debt relating to the Developments will be provided through the issuance of a multifamily revenue note (the "Note") to be issued by the HRA in a principal amount not to exceed $5,500,000, pursuant to Minnesota Statutes, Chapter 462C (the "Housing Act"), Minnesota Statutes, Section 471.656, and Section 469.152 through 469.1655, as amended (together with the Housing Act, collectively, the "Acts") and pursuant to a Joint Powers Agreement among the HRA and the Cities.

The proceeds of the Note will be used to provide financing for, including the refinancing debt of certain temporary indebtedness incurred, for capital improvements to and renovations of existing residential buildings and sites described above which are operated by the Borrower as multifamily housing developments, within the meaning of the Housing Act.

Approximately $2,345,000 of the net proceeds of Note will be used to refund and redeem tax exempt bonds issued by the (i) City of Wayzata in 2006 relating to Developments known as 14th Ave, Arrowood, Merrimac and Zachary in Plymouth, Broadway in Wayzata, Sheridan in Minnetonka and Jersey and Unity in Golden Valley, (ii) City of Golden Valley in 2008 relating to Developments known as Lee in Golden Valley and Ives in Plymouth, and (iii) City of Wayzata relating to the Borrower's administrative building (non-housing).

All of the net proceeds of the Note not used to refund and redeem the prior tax exempt bond issues will be used to refinance temporary indebtedness, to reimburse the Borrower for or to pay for rehabilitation expenditures with respect to Developments. For such purpose, "rehabilitation expenditures" means the improvement of the existing multifamily housing development to improve the basic livability of the housing or restore it to a decent, safe, and sanitary condition. Improvements may include, without limitation, room additions, renovation, improvement or construction of a garage, repair of sidewalks, and improvements used or useful to conserve energy or to convert or refit an existing residential building for the use of any energy source which does not depend on nuclear fuel or nonrenewable fossil fuel, or which makes available another energy source which is wasted including, without limitation, cogeneration or district heating. Improvements do not include the construction or improvement of recreational facilities, routine or minor repairs or maintenance, or cosmetic improvements unless coupled with the cure of substantial accumulation of deferred maintenance or other permitted improvements.

The Developments are available for rental primarily to developmentally disabled persons, and each will be operated as a multifamily housing facility for the term of the Note. The Borrower covenants that at least twenty percent (20%) of the units in each building included in the Developments will be occupied by Qualifying Tenants. "Qualifying Tenants" means those persons and families who are determined from time to time by the Owner to be eligible as "... individuals whose income is fifty percent (50%) or less of area median gross income ..." within the meaning of Section 142(d)(2)(B) of the Code. In determining the applicable income limit, the Owner shall apply the provisions of Revenue Ruling 89-24. "Income" will be determined in a manner consistent with determinations of lower income families under Section 8 of the United States Housing Act of 1937 (and as presently set forth in 24 CFR 813.106).

The Borrower will be required, pursuant to a revenue agreement, to make payments sufficient to pay when due the principal of, premium, if any, and interest on the Note. The repayment of the Note and security therefor may be structured so as to take advantage of whatever means are available or necessary and are permitted by law to enhance the security for and marketability of the Note.

Each of the Developments will be operated as a multifamily housing development, within the meaning of the Housing Act.

The Borrower owns and operates the Developments, in accordance with applicable land use and development restrictions, and such ownership and operation is subject to applicable state and local building codes. The Borrower will be required to operate the Developments in accordance with state and local anti-discrimination laws and ordinances.

The HRA may periodically require from the Borrower, or such other person deemed necessary, evidence concerning compliance with this housing program and the documents prepared in connection with the issuance of the Note.

The costs of the Developments and the program of financing the Developments, including specifically the costs of the HRA and the Cities in connection therewith, will be paid or reimbursed by the Borrower or, to the extent legally available therefor, from the proceeds of the Note.

EXHIBIT A

Hammer Residences, Inc. Residential Facilities

Wayzata:

Ridgeview	401 Ridgeview Drive
Broadway	550 Broadway Avenue North

Minnetonka:

Knollway	13618 North Knollway Drive
Holdridge	15504 Holdridge Drive
Carlson	16325 County Road 15
Sheridan	2412 Sheridan Hills Curve
Sumac	11110 Sumac Lane
Cedarwood	2509 Cedarwood Ridge
Wentworth	13612 Wentworth Trail
Emery	4045 Dublin Drive
Lakeside	5209 Michaele Lane
Nelson Place	4701 Caribou Drive

Plymouth:

Ives	1120 Ives Lane North
Tyler	2611 Black Oaks Lane
Black Oaks	2830 Black Oaks Lane
13th Ave	17005 13th Avenue North
1st Ave	13255 1st Avenue North
Rockford	10805 38th Place North
Lancaster	3945 Orleans Lane
Kentucky	18115 30th Avenue North
Garland	1530 Garland Lane North
Queensland	2020 Queensland Lane North
Merrimac	420 Merrimac Lane
14th Ave	16205 14th Avenue North
McGlinch	18300 26th Avenue North
Zachary	11300 42nd Avenue North
Arrowood	4525 Zachary Lane North

Golden Valley:

Jersey	300 Jersey Avenue North
Lee	2825 Lee Avenue North
Unity	2025/2027 Unity Avenue North