Reinvestment District 2017 Annual Report

Recipient: City of Grinnell

Boutique Hotel and Event Center

a. We are very excited to report that the Hotel Grinnell (Boutique Hotel and Event Center) received their occupancy permit and liquor license from the city of Grinnell on Wednesday, August 30, 2017. Hotel Grinnell officially opened on Tuesday, September 5, 2017. There have been a number of tours for community members and the response to the project has been overwhelmingly positive. The quality built into the Hotel Grinnell has exceeded our expectations. The hotel developer reports that the total project budget is $7 million.

b. At this point, the city has not spent any money on this project from the reinvestment project fund.

c. Although the final invoices are likely being processed, this project is complete.

d. The construction loan amount is $7.1 million and the primary investors contributed $450,000. The rate of interest is 4.5%. We have included a copy of the construction loan agreement.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Loan</td>
<td>$5,500,000</td>
</tr>
<tr>
<td>Historic Tax Credits (State)</td>
<td>$1,150,668</td>
</tr>
<tr>
<td>Developer Equity Deferred</td>
<td>$200,000</td>
</tr>
<tr>
<td>Investor Equity</td>
<td>$250,000</td>
</tr>
</tbody>
</table>

e. There were no bonds issued for this project or other indebtedness incurred by the city of Grinnell. Please see attached construction loan document for information about the loan in regard to the Hotel Grinnell.

Central Park and City Infrastructure

a. The reconstruction of Central Park is nearly complete. It is estimated that completion will occur prior to October 1, 2017. The remaining work items are installation of permeable pavers at the water plaza, landscaping, signage, and punch list items. The park is ‘open’ to those who want to inspect the progress and the response from those visiting the park to have been favorable and enthusiastic. Similar to the Hotel Grinnell, the quality of the design and craftsmanship has exceeded expectations. Professional fees and items purchased by the city outside the construction project will bring the total project cost to approximately $3.5 million. The City Infrastructure and Streetscape Project is the final phase of an $18 million project to rebuild the public infrastructure in the downtown. Work on this final phase is 80% complete and will be 100% complete by November 1, 2017.
b. At this point, the city has not spent any money on this project from the reinvestment project fund.

c. The contract sum for the Central Park construction is $3,037,232.93 and the balance to finish is $604,057.78. See detail below pulled from most recent pay request. The contract sum for the City Infrastructure and Streetscape project is $3,651,689.08 and the balance to finish is $870,181.16. See detail below pulled from most recent pay request.

d. Central Park

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa Great Places Grant</td>
<td>$150,000</td>
</tr>
<tr>
<td>Grinnell Hotel/Motel Tax</td>
<td>$550,000</td>
</tr>
<tr>
<td>Private Donations</td>
<td>$650,000</td>
</tr>
<tr>
<td>City of Grinnell TIF</td>
<td>$600,000</td>
</tr>
<tr>
<td>G.O. Bonds</td>
<td>$1,550,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,500,000</strong></td>
</tr>
</tbody>
</table>

City Infrastructure and Streetscape

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storm Sewer Fund</td>
<td>$300,000</td>
</tr>
<tr>
<td>Sanitary Sewer Fund</td>
<td>$300,000</td>
</tr>
<tr>
<td>Water Fund</td>
<td>$100,000</td>
</tr>
<tr>
<td>G.O. Bonds</td>
<td>$2,800,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,500,000</strong></td>
</tr>
</tbody>
</table>

e. The amount of the G.O. Bond for the Central Park project was $1,550,000. The term is 20 years and the interest rate is 2.65%. The source of funds for repayment will be TIF and IRA proceeds.

The amount of the G.O. Bond for the City Infrastructure and Streetscape project was $2,800,000. The term is 10 years and the interest rate is 2.65%. The source of funds for repayment will be TIF and IRA proceeds.
CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM ............. $ 2,706,000.00
2. Net change by Change Orders .................. $331,232.93
3. CONTRACT SUM TO DATE (Line 1 ± 2) .......... $ 3,037,232.93
4. TOTAL COMPLETED & STORED TO DATE ...... $2,561,237.00
   (Column G on G703)
5. RETAINAGE:
   a. 5 % of Completed Work 128,061.85
      (Column D + E on G703)
   b. 5 % of Stored Material $
      (Column F on G703)
      Total Retainage (Lines 5a + 5b or
      Total in Column I of G703) .................. $ 128,061.85
6. TOTAL EARNED LESS RETAINAGE ............... $ 2,433,175.15
   (Line 4 Less Line 5 Total)
7. LESS PREVIOUS CERTIFICATES FOR
   PAYMENT (Line 6 from prior Certificate) ....... $ 2,300,351.85
8. CURRENT PAYMENT DUE ......................... $ 132,823.30
9. BALANCE TO FINISH, INCLUDING RETAINAGE ... $ 604,057.78
   (Line 3 less Line 6)

<table>
<thead>
<tr>
<th>OWNER CHANGE ORDERS</th>
<th>ADDITIONS</th>
<th>DEDUCTIONS</th>
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<tbody>
<tr>
<td>Total changes approved in previous months by Owner</td>
<td>$292,489.95</td>
<td>$0.00</td>
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<tr>
<td>Total approved this Month</td>
<td>$38,742.98</td>
<td>$0.00</td>
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<tr>
<td>TOTALS</td>
<td>$331,232.93</td>
<td>$0.00</td>
</tr>
<tr>
<td>NET CHANGES by Change Order</td>
<td>$331,232.93</td>
<td></td>
</tr>
</tbody>
</table>

Excerpt from the most recent Pay Request for the Central Park project above.

Excerpt from most recent Pay Request for the Downtown Streetscape Project below.

| Total Contract Sum | $3,512,898.25 |
| Net Change Orders | $138,790.83 |
| Contract Sum to Date | $3,551,689.08 |
| Stored Materials | $20,000.00 |
| Total Completed To Date | $2,859,482.02 |
| 5% Retainage -(65,000) | $77,974.10 |
| Total Earned Less Retainage | $2,781,507.91 |
| Less Previous Certificates for Payment | $2,486,127.87 |
| Current Payment Due | $295,380.04 |
| Balance To Finish, Including Retainage | $870,181.16 |
Photo of new performance stage in Central Park with Hotel Grinnell in the background and newly seeded lawn in foreground. 9/1/17

Photo of the interior of the new shelter building in Central Park. 9/1/17
Photo of new play equipment in Central Park with new lighting fixture in the foreground. 8/31/17
Photo of the reconstruction of Broad Street between 6th Avenue and 5th Avenue which is the final segment of the $18 million reconstruction of all public infrastructure in Grinnell’s downtown. This effort started in 2004. This area is also the heart of the Zone of Confluence. Left of center in the photo you can see construction of the $2.5 million St. Mary’s Catholic Church’s Parish Hall. 9/1/17

Zone of Confluence

a. Grinnell College continues to acquire properties in the Zone of Confluence.
   - Work has begun to perform renovation work on one of these historic properties. Grinnell College is currently working with an ethnically themed restaurant to locate in this building and renovations are being coordinated with this business owner.
   - Grinnell College is conducting an RFP process to select a qualified developer to undertake the first significant new construction to occur in the Zone of Confluence. This will be a mixed use residential and commercial building with an estimated cost of $5 to $6 million. A developer selection is expected by the end of calendar 2017, with plans for construction to being in Spring-Summer 2018.

b. At this point, the city has not spent any money on this project from the reinvestment project fund.

c. The College’s primary activity in the Zone has been Building and Land Acquisition. The total project budget in the IRA application for the Zone of Confluence was $10 million. Approximately $2,000,000 has been spent to date on Building and Land Acquisition along with Professional
Fees and investments by the College to address deferred maintenance in the acquired properties. The total project costs remaining are $8 million.

d. Grinnell College has funded all expenditures related to this project.

e. There were no bonds issued for this project or other indebtedness incurred by the city of Grinnell. Grinnell College did not issue debt to fund these activities.

Photo of the demolition of the former McNally’s grocery store which relocated across the street. This demolition will make way for a new multi-use building at this site. Development of this project is currently underway and construction is anticipated for spring-summer 2018. 9/1/17

Grinnell College Campus Improvements

a. Construction on campus:
   - Construction of the Humanities and Social Studies Complex (HSSC) began in January 2017, with McGough Construction serving as the construction manager. All of the necessary utility work and foundation work has been completed. The building is taking shape, with the steel beam framework in place for the north and south pavilions. Occupancy of these two pavilions is on track for January 2019, at which time work will begin on the historic revitalization of the Carnegie and Alumni Recitation Hall buildings, which form the remaining two pavilions of the Complex.
• Three student houses that occupied the site of the new Admission and Financial Aid Center (AFA) have been relocated a block north and the building site has been cleared. Construction began in September 2017.

b. At this point, the city has not spent any money on this project from the reinvestment project fund.

c. Construction costs:

• The contract sum for construction of the Humanities and Social Studies Complex is $88.8 million. Of that, approximately $17 million has been paid to McGough through August 31, 2017. The balance to finish is $71.8 million. Owner construction costs account for another $0.5 million, of which half has been paid to date.
• The contract sum for construction of the Admission and Financial Aid Center (AFA) is $9.2 million. As of August 31, 2017 approximately $0.2 million had been paid. The balance to finish is $9 million. The Owner construction costs to prepare the site and relocate the houses added another $0.8 million to the project, of which approximately half has been paid.

d. Sources/amounts of funding for work completed on Campus Improvements so far. The Board of Trustees of the College authorized a financing plan that relies upon a mix of gifts ($20 million) and bonds (up to $120 million) to cover the costs of design, construction, furnishing, etc. for the HSSC, AFA, and campus landscaping.

e. Describe any indebtedness incurred for the project here: rate of interest, length of term, cost of issuance, net proceeds and sources of repayment.

• In January 2017, with the support of the Iowa Higher Education Loan Authority (IHELA), the College issued bonds to finance three major campus projects – the HSSC, the AFA, and comprehensive campus landscaping. Terms of the deal were as follows.
IHELA  
Grinnell College  
Revenue Bonds  
Series 2017  

As of 02/03/17  
"AAA/Aaa" Rated  
HSSC Project  
30yr Fully Amortizing

### SOURCES & USES

#### SOURCES

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<th>Description</th>
<th>Amount</th>
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<td>Original Issue (Discount) / Premium</td>
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<td><strong>Total</strong></td>
<td><strong>$120,702,057.35</strong></td>
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#### USES

<table>
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<td>Deposit to Project Fund</td>
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<td>Underwriter's Discount</td>
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<td>Financial Advisor</td>
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<td>Bond / Disclosure Counsel</td>
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<td>Moody's Rating Fee</td>
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<td>S&amp;P Rating Fee</td>
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<tr>
<td>IHELA Fee</td>
<td>15,445.50</td>
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<td>IHELA Fee Reimbursement</td>
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<tr>
<td>IHELA Financial Advisor</td>
<td>10,000.00</td>
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<tr>
<td>IHELA Miscellaneous Costs</td>
<td>100.00</td>
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<tr>
<td>IHELA Counsel</td>
<td>10,000.00</td>
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<tr>
<td>Auditor Fee</td>
<td>6,000.00</td>
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<td>College's General Counsel</td>
<td>3,067.00</td>
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<tr>
<td>MuniHub Fee</td>
<td>1,000.00</td>
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<tr>
<td>Des Moines Register Tombstone</td>
<td>2,546.00</td>
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<tr>
<td>Financial Printer</td>
<td>2,301.52</td>
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<tr>
<td>Financial Printer (Total Choice)</td>
<td>513.37</td>
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<tr>
<td>Trustee Fee</td>
<td>2,750.00</td>
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<td>Trustee's Counsel</td>
<td>1,500.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$120,702,057.35</strong></td>
</tr>
</tbody>
</table>

#### ASSUMPTIONS

Dated Date: 2/1/2017  
First Interest Date: 6/1/2017  
First Maturity Date: 12/1/2021  
Final Maturity Date: 12/1/2046  

Series 2017 Call Date: 12/1/2026  
Debt Service Reserve Fund Requirement: None

#### RESULTS

<table>
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<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Average Coupon</td>
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<tr>
<td>Arbitrage Yield</td>
<td>2.933336%</td>
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<tr>
<td>All Inclusive Cost of Capital</td>
<td>3.751262%</td>
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<tr>
<td>Net Interest Cost</td>
<td>4.106495%</td>
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<tr>
<td>True Interest Cost</td>
<td>3.729029%</td>
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<tr>
<td>Average Life</td>
<td>19.876</td>
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<tr>
<td>Life of Issue</td>
<td>29.817</td>
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<tr>
<td>Weighted Average Maturity (WAM)</td>
<td>19.851</td>
</tr>
</tbody>
</table>
Debt service on the Series 2017 issue will be covered through the College’s operating budget. The first semi-annual payment was made June 2017. The issue will be paid off in December 2046.

Photo of the construction that is underway at the Grinnell College Humanities and Social Studies Complex. 9/1/17
Photo of three historic homes that were relocated to make room for the new Admission and Financial Aid building. The second, third, and fourth houses from the left were moved to this new location about 200' north of their previous location. 9/1/17
Photo of construction that is underway at the site of the new Admissions and Financial Aid building on Grinnell College's campus. 9/1/17
Image of the plans that were recently submitted to the Grinnell Building and Planning Department for the Grinnell College Admissions and Financial Aid Building. 9/1/17

Please provide the following:

a. The status of each project undertaken within the district in the previous twelve months, including whether construction has begun on any project in the district or when the start of construction is anticipated and a summary of developer spending on projects within the district.
b. An itemized list of expenditures from the municipality’s reinvestment project fund in the previous twelve months that have been made related to each project being undertaken within the district.
c. The amount of the total project cost remaining for each project being undertaken within the district as of the date the report is submitted.
d. The amounts, types, and sources of funding used for each project described in paragraph “a”.
e. The amount of bonds issued or other indebtedness incurred for each project described in paragraph “a”, including information related to the rate of interest, length of term, costs of issuance, and net proceeds. The report shall also include the amounts and types of moneys to be used for payment of such bonds or indebtedness.

Information provided should be the most recent that is available.

Attachment A: Contract for construction of Grinnell College Campus Improvements.
CERTIFICATION OF ACCURACY:
I hereby certify that the information presented to the Iowa Economic Development Authority on the date indicated below is fully complete, true, and correct. I understand that it is a criminal violation under Iowa law to engage in deception and knowingly make, or cause to be made, directly or indirectly, a false statement in writing for the purpose of procuring economic development assistance from a state agency or subdivision, as provided in Iowa Code section 15A.3 and other applicable law.

I further depose that the signature below is my own proper signature and that I have the authority to submit this information on behalf of the Recipient.

Prepared By:
Name: Russell L. Behrens       Phone # 641 236 2600
Title: City of Grinnell City Manager
Signature Russell L. Behrens Date 10/23/17
E-Mail Address rbehrens@grinelliowa.gov

Authorized Signatory:
Name: Gordon R. Canfield
Title: Mayor, City of Grinnell
Signature Gordon R. Canfield Date 10/23/17
AGREEMENT made as of the 9th day of June in the year 2015
(In words, indicate day, month and year.)

BETWEEN the Owner:
(Name, legal status and address)

Trustees of Grinnell College
Grinnell, IA  50112

and the Construction Manager:
(Name, legal status and address)

McGough
222 Third Avenue SE
Suite 299-6
Cedar Rapids, IA  52401

for the following Project:
(Name and address or location)

Humanities and Social Studies Complex
Grinnell College

The Architect:
(Name, legal status and address)

EYP Architecture & Engineering
811 West Hargett Street
Raleigh, NC  27603

The Owner's Designated Representative:
(Name, address and other information)

Kate Walker
Vice President of Finance & Treasurer
Grinnell College
733 Broad Street
Grinnell, IA  50112

The Construction Manager’s Designated Representative:
(Name, address and other information)

Dan Malecha
Regional Vice President
without the written consent of the other, except that the Owner may assign this Agreement to a lender providing financing for the Project if the lender agrees to assume the Owner’s rights and obligations under this Agreement. Except as provided in Section 13.2.2 of A201–2007, neither party to the Contract shall assign the Contract as a whole without written consent of the other. If either party attempts to make such an assignment without such consent, that party shall nevertheless remain legally responsible for all obligations under the Contract.

§ 11.5 Other provisions:

ARTICLE 12 SCOPE OF THE AGREEMENT

§ 12.1 This Agreement represents the entire and integrated agreement between the Owner and the Construction Manager and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both Owner and Construction Manager.

§ 12.2 The following documents comprise the Agreement:

1. AIA Document A133–2009, Standard Form of Agreement Between Owner and Construction Manager as Constructor where the basis of payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price

2. AIA Document A201–2007, General Conditions of the Contract for Construction, as amended

3. AIA Document E201™–2007, Digital Data Protocol Exhibit, if completed, or the following:

4. AIA Document E202™–2008, Building Information Modeling Protocol Exhibit, if completed, or the following:

5. Other documents:
   (List other documents, if any, forming part of the Agreement.)

Exhibits A and A-1 through A-10, B, C, D, E, and F

This Agreement is entered into as of the day and year first written above.

OWNER (Signature)

CONSTRUCTION MANAGER (Signature)

KATE WALKER
(Printed name and title)
VP for Finance & Administration

BRADLEY S. WOOD, COO
(Printed name and title)
CONSTRUCTION LOAN AGREEMENT

This Loan Agreement (this "Agreement") is entered into as of the 23rd day of September, 2016, by and between GRINNELL CENTER, LLC, an Iowa limited liability company ("Borrower"), and LINCOLN SAVINGS BANK, an Iowa state banking corporation ("Lender").

ARTICLE I
DEFINITIONS

The following terms as used herein will have the following meanings:

Section 1.1. Affiliate. Any parent of Borrower, any subsidiary of Borrower, or any entity controlled by or under common control with Borrower or with any Guarantor, and any other entity having indebtedness now or hereafter owed to Lender or any affiliate of Lender which is guaranteed by Borrower or by any Guarantor.

Section 1.2. Allocation Agreement. The Agreement between Borrower and the Iowa Department of Cultural Affairs pursuant to which the Historic Tax Credits are allocated to Borrower.

Section 1.3. Amortization Date. The twenty-fifth (25th) anniversary of the Conversion Date.

Section 1.4. Assignment of Development Agreement. That certain Collateral Assignment of Development Agreement of even date herewith, by and among Borrower, the City and Lender, pursuant to which Borrower assigned its right, title and interest in and to the Development Agreement as security for the Note.

Section 1.5. Assignment of Tax Credit Purchase Agreement. An assignment of tax credit purchase agreement in form and substance acceptable to Lender pursuant to which Borrower pledges its right, title and interest in and to the Tax Credit Purchase Agreement to Lender as security for the Note.

Section 1.6. Business Day. Any day other than a Saturday, a Sunday, or a legal holiday on which Lender is not open for business.

Section 1.7. City. The City of Grinnell, Iowa.

Section 1.8. Completion. Completion of the construction of the Improvements in accordance with the Plans; completion of the Improvements shall be deemed to have occurred when Borrower has furnished to Lender (i) a certificate of substantial completion of the Improvements signed by Borrower, the project architect and the general contractor, subject only to minor punchlist work, as having been completed, (ii) a final certificate or certificates of occupancy for the Project from the local governmental authority, and (iii) other evidence reasonably satisfactory to Lender certifying that the Improvements comply with all applicable zoning ordinances, building and use regulations and codes and all requirements with respect to licenses, permits and agreements necessary for the lawful use and operation of the Improvements.
Section 1.9. **Completion Date.** September 23, 2018.

Section 1.10. **Conversion Date.** Upon the earlier of (i) Completion, or (ii) March 23, 2018.

Section 1.11. **Default Rate.** The Default Rate as defined in Section 2.3 hereof.

Section 1.12. **Development Agreement.** That certain Purchase, Sale and Development Agreement dated as of September 6, 2016, by and between the City and Borrower, with respect to the Project

Section 1.13. **Disbursing Agreement.** The Disbursing Agreement of even date herewith by and among Borrower and Lender.

Section 1.14. **Draw Request.** A statement of Borrower in the form of the attached Exhibit B, together with (if applicable) affidavits and waivers of lien and certificates from the contractors as required by the Disbursing Agreement.

Section 1.15. **Guaranties.** Collectively, those certain Repayment and Completion Guaranties of even date herewith, executed by Guarantors in favor of Lender.

Section 1.16. **Guarantors.** Collectively, jointly and severally, David Douglas Caulkin and Angela Harrington.

Section 1.17. **Historic Tax Credits.** The Historic Preservation and Cultural and Entertainment District Tax Credits for the development of historic projects issued pursuant to Iowa code, as amended, as in effect from time to time.

Section 1.18. **Improvements.** A 45-room boutique hotel and related amenities to be constructed according to the Plans.

Section 1.19. **Indemnity.** The Hazardous Substance Indemnity Agreement of even date herewith, executed by Borrower and Guarantors in favor of Lender.

Section 1.20. **Inspecting Architect.** SVPA Architects, or such other Person selected by Lender.

Section 1.21. **Interest Rates.** The Interest Rates as defined in Section 2.3 hereof.

Section 1.22. **Loan Documents.** Shall have the meaning assigned to such term in Section 4.1 hereof.

Section 1.23. **Loan Proceeds.** The proceeds of the Loan disbursed or to be disbursed under the Note pursuant to this Agreement and the Disbursing Agreement.

Section 1.24. **Loan.** The loan in the amount of $5,554,536, by Lender to Borrower evidenced by the Note.

Section 1.25. **Maturity Date.** September 23, 2026.
Section 1.26. **Mortgage.** The Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement of even date herewith, from Borrower to Lender, encumbering the Project and securing repayment of the Note.

Section 1.27. **Note.** The Promissory Note of even date herewith, executed by Borrower payable to Lender in the original principal amount of $5,554,536, evidencing the Loan.

Section 1.28. **Person.** Any natural person, firm, partnership, corporation, limited liability company, governmental authority or agency and any other public or private legal entity.

Section 1.29. **Plans.** The final plans and specifications for the construction of the Improvements on the Real Estate, which have been submitted to and approved by Lender, and all amendments and modifications thereof made in accordance with this Agreement.

Section 1.30. **Pledge Agreement.** The Account Pledge and Control Agreement of even date herewith by and between Borrower and Lender, securing repayment of the Note.

Section 1.31. **Pledged Cash Account.** The bank controlled account no. 3000479506 established by Borrower at Lender, which is pledged to Lender as security for the Note pursuant to the Pledge Agreement.

Section 1.32. **Project.** The Real Estate, all of the buildings and improvements to be constructed and rehabilitated thereon and all personal property of Borrower now or hereafter located on and used or intended to be used in connection with or with the operation of the Real Estate, the buildings or improvements thereon or in connection with the construction of the Improvements.

Section 1.33. **Project Cost Statement.** The hard and soft cost budget for the costs of acquiring the Real Estate and constructing the Improvements, a copy of which is attached as Exhibit C.

Section 1.34. **Real Estate.** The real estate located in Grinnell, Iowa, as legally described on the attached Exhibit A.

Section 1.35. **Security Documents.** The Mortgage, the Assignment of Tax Credit Purchase Agreement, the Assignment of Contracts, Agreements, Licenses, and Permits and any other document granted to Lender as security for the Note or any of Borrower’s other obligations under the Loan Documents.

Section 1.36. **Tax Credit Purchase Agreement.** A tax credit purchase agreement, in form and substance acceptable to Lender in its discretion, between Borrower, as seller, and Tax Credit Purchaser, as purchaser, pursuant to which Tax Credit Purchaser agrees to purchase the Historic Tax Credits with respect to the Project.

Section 1.37. **Tax Credit Purchaser.** A Person acceptable to Lender, in Lender’s sole discretion, who agrees to purchase the Historic Tax Credits pursuant to the Tax Credit Purchase Agreement.

In addition to the terms defined above, other capitalized terms used herein shall have the meanings given such terms below.
ARTICLE II

THE LOAN

Section 2.1. Use and Purposes. Borrower agrees to borrow from Lender, and Lender agrees to lend to Borrower, the Loan Proceeds; such Loan Proceeds shall be used by Borrower for the purposes and subject to all of the terms, provisions and conditions of this Agreement. The Loan is a non-revolving construction loan to be disbursed pursuant to the Disbursing Agreement. As of the Conversion Date, there shall be no further advances of the Note, and provided no Event of Default and no event which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is then continuing, the Note shall convert to a term note.

Notwithstanding anything to the contrary contained herein, Lender shall holdback $934,681 of the Loan until Lender has received, in form and substance acceptable to Lender in its discretion, (i) the Allocation Agreement, pursuant to which the Improvements are allocated Historic Tax Credits in an amount not less than $1,150,000, and (ii) the Tax Credit Purchase Agreement and the Assignment of Tax Credit Purchase Agreement.

Section 2.2. Expenses and Advances Secured by the Security Documents. All disbursements, advances or payments made by Lender hereunder, all amounts expended by Lender pursuant to Section 8.2 hereof, Lender’s attorneys’ fees, if any, and all other loan expenses, as and when advanced or incurred by Lender, will be secured by the Security Documents and guarantied by the Guarantors.

Section 2.3. Interest. Commencing on the date hereof through the fifth (5th) anniversary of the date hereof, each advance of the Note shall accrue interest at a per annum rate equal to four and one half percent (4.5%) (the “Interest Rate”). Commencing on the fifth (5th) anniversary of the date hereof and continuing through the eight (8th) anniversary of the date hereof, the Interest Rate shall be a per annum rate equal to the then current three (3) year Federal Home Loan Bank advance rate plus three and one-quarter percent (3.25%). Commencing on the eighth (8th) anniversary of the date hereof, the Interest Rate shall be adjusted to be the per annum rate equal to the then current three (3) year Federal Home Loan Bank advance rate plus three and one-quarter percent (3.25%).

Section 2.4. Fixed for the first five (5) years, adjusting in year six and nine (9) to the then current Federal Home Loan Bank three year fixed rate advance plus three and twenty five hundredths (3.25%) percent (the “Term Note Interest Rate”). Each advance of the Bridge Note shall accrue at a per annum rate equal to four and one half percent (4.50%) (the “Bridge Note Interest Rate,” and together with the Term Note Interest Rate, the “Interest Rates”).

Interest on the unpaid principal balance shall be computed on the basis of a 360 day year, but shall be charged for the actual number of days interest is unpaid (actual ÷ 360).

If the Loan has not been repaid on or before the Maturity Date, or if an Event of Default occurs, then the unpaid principal balance shall thereafter accrue interest at an annual rate of five
percent (5%) per annum in excess of the Interest Rate (the “Default Rate”), until the unpaid principal balance is paid in full or such Event of Default is cured.

If for any reason whatsoever the interest and other consideration payable to Lender under the Loan Documents exceeds the limit prescribed by any applicable usury statute or any other applicable law, then such interest and other consideration shall be reduced to the limit provided in such statute or law, so that in no event shall such interest and other consideration be in excess of such limit. If any payments of interest or other consideration have been made to Lender in excess of such limits, such excess amount shall be applied to the principal balance effective as of the date received by Lender, or, if the Loan have been fully paid, refunded to Borrower.

Section 2.5. Payments. The principal balance and accrued interest on the Note shall be payable as follows:

(a) Interest accruing on the Note through the end of each calendar month shall be payable on the fifteenth day of the following calendar month commencing on October 15, 2016, and continuing each month thereafter.

(b) Commencing as of the 15th day of the month in the month following the Conversion Date, and continuing on the 15th day of each month thereafter, the outstanding principal balance and accrued interest on the Note shall be payable in the amount necessary to fully amortize the then outstanding principal balance and accrued interest on the Note in equal monthly installments by Amortization Date.

(c) The entire unpaid principal balance and all accrued interest on the Note shall be due and payable in full on the Maturity Date.

All payments shall be applied first to accrued interest, then to late payment charges and then to the payment of the principal balance; provided, however, if an Event of Default exists, Lender may elect to apply any payments in any order as it deems reasonably appropriate. Payments of principal of, and interest on, the Notes and all late payment charges, fees, expenses and other obligations of Borrower under the Loan Documents which are payable to Lender shall be made to Lender without setoff or counterclaim in immediately available funds not later than 1:00 p.m. (Des Moines time) on the due date thereof at Lender’s office in Clive, Iowa. Funds received after such time shall be deemed to have been received on the next Business Day. Whenever any payment to be made under the Loan Documents shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time, in the case of a payment of principal, shall be included in the computation of any interest on such principal payment.

Section 2.6. Prepayment. Borrower may prepay the Loan in whole or in part, at any time, provided that Borrower shall pay to Lender a prepayment premium equal to three percent (3.0%) of the principal amount prepaid for prepayments made between the date hereof and the one (1) year anniversary of the date hereof, (B) two percent (2.0%) of the principal amount prepaid for prepayments made between the one (1) year anniversary of the date hereof and the two (2) year anniversary of the date hereof, (C) one percent (1.0%) of the principal amount prepaid for prepayments made between the two (2) year anniversary of the date hereof and the three (3) year
anniversary of the date hereof, and (D) zero percent (0.0%) of the principal amount prepaid for any prepayments made after the three (3) year anniversary of the date hereof.

Section 2.7. Late Payment Charge. In the event that any required payment of principal or interest hereunder is not made within ten days after the due date thereof, Borrower shall pay to Lender a late payment charge equal to five percent (5.00%) of the amount of the overdue payment, for the purpose of reimbursing Lender for a portion of the expense incident to handling the overdue payment. This late payment charge shall not be prorated on a daily basis as payments are received by Lender. This provision shall not be deemed to excuse a late payment or to be a waiver of any other rights Lender may have, including the right to declare the entire unpaid principal balance and accrued interest immediately due and payable. Borrower agrees that the “late payment charge” is a provision for liquidated damages and represents a fair and reasonable estimate of the damages Lender will incur by reason of the late payment, considering all circumstances known to Borrower and Lender on the date hereof. Borrower further agrees that proof of actual damages will be difficult or impossible.

ARTICLE III
WARRANTIES AND REPRESENTATIONS

To induce Lender to make the Loan, Borrower hereby represents and warrants to Lender that:

Section 3.1. Legal Status and Authority of Borrower. Borrower is a limited liability company, duly organized and validly existing under the laws of the State of Iowa, and has all power and authority necessary to carry on its business, execute, deliver and perform the Loan Documents, and own and operate the Project; all actions of Borrower necessary to authorize the execution, delivery and performance of the Loan Documents have been duly adopted and are in full force and effect; and the Loan Documents have been duly authorized, executed and delivered by and on behalf of Borrower so as to constitute the Loan Documents as valid and binding obligations of Borrower, enforceable in accordance with their terms.

Section 3.2. Purpose of the Loan. The Loan shall be for business purposes to finance the construction of the Improvements and related work on the Real Estate and not for consumer purposes.

Section 3.3. Pending Suits. To Borrower’s knowledge, there are no suits, judgments, bankruptcies or executions pending or threatened against Borrower, any Affiliate of Borrower, any Guarantor or the Project, which, if adversely determined against Borrower, such Affiliate or such Guarantor would have a material adverse effect on the financial condition of Borrower, such Affiliate, such Guarantor or the Project.

Section 3.4. Financial Statements. The financial statements heretofore delivered by Borrower and each Guarantor to Lender are true and correct in all respects, and fairly present the respective financial condition of the subjects thereof as of the respective dates thereof, and no material adverse change has occurred in the financial condition reflected therein since the respective dates thereof, and no additional borrowings have been made by Borrower since the date of its most
recent financial statements, other than the borrowings contemplated hereby and other borrowing approved by Lender in writing.

Section 3.5. **No Mechanic's/Construction Liens.** As of the date hereof, Borrower has obtained adequate waivers, indemnifications and other assurances to Lender to establish that no mechanics/construction liens exist on the Project.

Section 3.6. **No Violation of Other Agreements or Laws.** The execution, delivery and/or performance of the Loan Documents will not result in any breach of or constitute a default under any mortgage, deed of trust, lease, bank loan, credit agreement, or other instrument to which Borrower, any Affiliate or any Guarantor is a party, or violate any laws, ordinances or regulations by which Borrower, any Affiliate or any Guarantor may be bound or affected.

Section 3.7. **Permits.** Borrower has obtained all licenses and permits which are required for the construction of the Improvements, as contemplated by the Plans.

THE WARRANTIES AND REPRESENTATIONS IN THIS ARTICLE III AND ANY ADDITIONAL WARRANTIES AND REPRESENTATIONS CONTAINED HEREIN AND IN THE OTHER LOAN DOCUMENTS SHALL BE DEEMED TO HAVE BEEN RENEWED AND RESTATED BY BORROWER AT THE TIME OF EACH REQUEST BY BORROWER FOR A DISBURSEMENT OF LOAN PROCEEDS.

**ARTICLE IV**

**REQUIREMENTS FOR INITIAL DISBURSEMENT**

Unless otherwise agreed by Lender in writing, Lender will not be obligated to make the initial disbursement of Loan Proceeds unless and until all of the conditions in this Article IV have been satisfied by Borrower, but Lender’s agreement to close the Loans or disburse a portion of the Loan Proceeds shall not waive its right to require satisfaction of the following conditions before any subsequent disbursement of Loan Proceeds is made.

Section 4.1. **Loan Documents.** Borrower shall have delivered to Lender the following executed documents (the “Loan Documents”), each in form and substance acceptable to Lender:

(a) this Agreement;

(b) the Note;

(c) the Mortgage;

(d) the UCC Financing Statement;

(e) the Assignment of Development Agreement;

(f) the Replacement Reserve and Security Agreement;
(g) the Pledge Agreement;
(h) the Developer Fee Subordination Agreement;
(i) the Subordination, Non-Disturbance and Attornment Agreement and Estoppel Certificate;
(j) the Disbursing Agreement;
(k) the Guaranties;
(l) the Indemnity;
(m) the Assignment of Contracts, Agreements, Licenses, and Permits of even date herewith executed by Borrower in favor of Lender; and
(n) such other papers and documents as may be required by this Agreement or as Lender may otherwise reasonably require.

Section 4.2. Closing Costs and Loan Origination Fee. Borrower shall have paid all closing costs, generally as described in Section 7.3 hereof. Borrower shall also have paid Lender a loan origination fee equal to $55,545.36, which fee is fully earned when paid, is non-refundable and shall not be applied as a payment of principal or interest on the Note.

Section 4.3. Closing Requirements. Borrower shall have delivered to Lender the following, each in form and substance acceptable to Lender:

(a) Financial Statements. Current financial statements for Borrower and for each Guarantor certified to be true, correct and complete;

(b) Insurance. A Builders All Risk/Special Form Completed Value (Non-Reporting Form) Hazard Insurance policy, including without limitation, theft coverage and such other coverages and endorsements as Lender may require, insuring Lender against damage to the Project and Improvements in an amount not less than 100% of the full replacement cost at the time of completion of the Improvements. Such coverage should adequately insure any and all Loan collateral, whether such collateral is onsite, stored offsite or otherwise. Lender shall be named on the policy as mortgagee and named under a Lender’s Loss Payable Endorsement, and a policy of Commercial General Liability insurance on an occurrence basis, with coverages and limits as required by Lender, insuring against liability for injury and/or death to any person and/or damage to any property occurring on the Project and/or in the Improvements. During the period of any construction, Borrower may cause its contractors and/or subcontractors to maintain in full force and effect any or all of the liability insurance required hereunder. Lender may require that Borrower be named as an additional insured on any such policy. Whether Borrower employs a general contractor or performs as owner-builder, Lender may require that coverage include statutory workers’ compensation insurance;
(c) **Project Costs.** A list of all Project costs and sources of funds, expressly identifying all sources and uses of funds in connection with the Project;

(d) **Plans.** A set of the Plans for the Improvements, including a site plan showing the location of the Improvements; and

(e) **Contracts.**

(i) If requested by Lender, executed copies of all contracts between Borrower and any contractors, engineers, architects or construction managers (the “Contractors”), and any supplements or amendments thereto and, if in possession of Borrower, financial statements on the Contractors, all subcontracts between any Contractors and any of their subcontractors and suppliers for the construction of the Improvements. Upon request of Lender, Borrower shall deliver to Lender a consent to the assignment of any Contractor’s contract and an agreement in favor of Lender which includes an obligation to perform their obligation upon request by Lender or its designee. If in the sole judgment of Lender such construction contracts and subcontracts do not cover all of the work necessary for Completion, Borrower will cause to be furnished firm bids from responsible parties, or estimates and other information satisfactory to Lender, for the work not so covered, to enable Lender to ascertain the total estimated cost of all work done and to be done; and

(ii) All property management and leasing agreements which shall be terminable by Lender if it succeeds to title to the Project, on not more than 30 days’ prior written notice;

(f) **Building Permits.** A copy of all building permits, licenses and other governmental permits, or proof of the immediate availability of same, required to authorize the construction of the Improvements on the Project in accordance with the Plans;

(g) **Organizational Documents.** A copy of Borrower’s organizational documents and evidence of Borrower’s authority to sign this Agreement and the other Loan Documents to which they are a party;

(h) **Environmental Report.** An environmental report prepared by a firm acceptable to Lender;

(i) **Schedules.** Schedules for the construction of the Improvements, for the disbursement of the Loan Proceeds and of the contractors and subcontractors to perform work on the Improvements;

(j) **UCC Search.** UCC searches from the office of the Iowa Secretary of State covering the name of Borrower and each Guarantor, together with bankruptcy, judgment and state and federal tax lien searches on Borrower and each Guarantor; and
Section 4.4. **Appraisal.** Lender shall have obtained an appraisal of the Project and the Improvements in form and substance acceptable to Lender.

Section 4.5. **Flood Hazard Certificate.** Lender shall have received a flood zone certificate, indicating that the Project is not in a flood plain or other flood prone area, as designated by any governmental agency; provided, however, that if the Project is so located, Borrower shall obtain and deliver to Lender evidence of flood insurance acceptable to Lender.

Section 4.6. **Pledged Cash Account.** Borrower has deposited not less than $150,000 into the Pledged Cash Account.

**ARTICLE V**

**REQUIREMENTS FOR EACH DISBURSEMENT**

Section 5.1. **Warranties and Representations True.** All warranties and representations made in the Loan Documents shall remain true and correct as if made on the date of each disbursement and shall be certified to Lender by Borrower pursuant to a Draw Request Certification in the form attached hereto as Exhibit B.

Section 5.2. **Documents to be Furnished for Each Disbursement.** At least 10 Business Days prior to each requested disbursement, Borrower shall have furnished to Lender and Inspecting Architect the documents required for a disbursement pursuant to the Disbursing Agreement.

Section 5.3. **No Damage.** No portion of the Project shall have been materially damaged by fire or other casualty unless Lender shall have received insurance proceeds sufficient, in the sole, but reasonable, judgment of Lender, to effect the satisfactory restoration of the Project and to permit the Completion on or before the Completion Date.

Section 5.4. **No Event of Default.** No Event of Default, nor any event which with the passing of time or the giving of notice could become an Event of Default, shall have occurred and be continuing under the Loan Documents.

Section 5.5. **Updated Survey.** Upon request of Lender after any such time as it reasonably believes that any of the Improvements have been constructed in any area that may later cause title or other problems, Borrower shall provide to Lender an updated survey, in form and substance acceptable to Lender, showing that the Improvements are being constructed in the location shown on the Plans, within lot lines, within set back requirements and otherwise according to law.

Section 5.6. **Loan in Balance.** The Loan shall be in balance as required by Section 7.8 hereof.

Section 5.7. **Fixtures and Equipment.** Prior to any disbursement of Loan Proceeds to pay for the delivery or installation of fixtures and equipment or other personal property not being provided by the general contractor, Borrower shall deliver to Lender a list of all such fixtures, equipment and other personal property which has been delivered to or installed in the Improvements, together with invoices and other evidence of Borrower's ownership thereof.
Section 5.8. **Draw Inspections.** Lender or its representative has, at Lender’s sole option, inspected the Project to confirm, for Lender’s purposes, the status of construction of the Improvements.

Section 5.9. **Other Requirements.** Borrower has complied with all of the other requirements, conditions and covenants of this Agreement and the other Loan Documents.

**ARTICLE VI**

**REQUIREMENTS PRIOR TO FINAL DISBURSEMENT**

The following requirements, in addition to the other requirements of Article V, shall have been met prior to a final disbursement of Loan Proceeds, each in a manner acceptable to Lender:

Section 6.1. **Completion.** Completion shall have occurred.

Section 6.2. **Fixtures and Equipment.** All fixtures, equipment and other personal property required for the operation of the Project which are to be installed or paid for by Borrower shall have been installed and paid for and shall be free and clear of all liens and security interests, other than the lien of the Loan Documents. Borrower shall have provided to Lender an updated list of all fixtures, equipment and other personal property installed on or used in connection with the Project.

Section 6.3. **Final Inspection.** Lender or its representative has inspected the Project to confirm, for Lender’s purposes, the accuracy of the statements contained in Sections 6.1 and 6.2 hereof.

Section 6.4. **Other Requirements.** Borrower has complied with all of the other requirements, conditions and covenants of this Agreement and the other Loan Documents.

**ARTICLE VII**

**COVENANTS AND AGREEMENTS**

Borrower covenants and agrees with Lender as follows:

Section 7.1. **Using Loan Proceeds.** Borrower shall use the Loan Proceeds solely to pay costs and expenses shown on the Project Cost Statement and incurred by Borrower in connection with the construction and rehabilitation of the Improvements and the equipping of the Improvements, together with other expenses set forth on the Project Cost Statement and such incidental costs and expenses relating thereto as may be approved from time to time in writing by Lender. No proceeds of the Loan may be used to pay any construction, management, development or contractor’s fees to Borrower, any Guarantor, or any Affiliate, except as permitted by Lender in its discretion or pursuant to the Developer Fee Subordination Agreement.

Section 7.2. **Financial Records.** Borrower shall set up and maintain accurate and complete books, accounts and records as to Borrower and the Project in accordance with standard accounting principles for real estate investment activities consistently applied. Borrower will
permit representatives of Lender to have free access to and to inspect and copy all books, records and contracts of Borrower during Borrower’s standard operating hours. Any such inspection by Lender and its representatives shall be for the sole benefit and protection of Lender, and Lender shall not have any obligation to disclose the results thereof to Borrower or to any third party. In addition, Borrower shall furnish the following financial information concerning Borrower, each Guarantor, and the Project:

(a) As to Borrower:

(i) commencing as of completion, current quarterly financial statements of Borrower, including a balance sheet, an income statement and a cash flow statement, within 30 days following the end of each fiscal quarter of Borrower;

(ii) copies of the federal income tax returns (with all supporting schedules) of Borrower due during the term of the Loan, within 120 days following the end of each fiscal year of Borrower;

(iii) such other information and reports concerning the financial affairs of Borrower or the Project as Lender may reasonably request.

(b) As to Guarantors:

(i) current personal annual personal financial statements for Guarantors, dated within twelve months of the date of the prior personal financial statements delivered to Lender;

(ii) copies of the federal income tax returns (with all supporting schedules) of each Guarantor, and, if requested by Lender, any Affiliate, due during the term of the Loans, on or before each October 15th; and

(iii) such other information and reports concerning the financial affairs of each Guarantor or any Affiliate as Lender may reasonably request.

All such financial statements as to Borrower, each Guarantor, and any Affiliate shall be in reasonable detail, shall be prepared in accordance with standard accounting principles consistently applied, shall be certified by the party to which they apply as true, correct and complete.

Section 7.3. Costs and Expenses. Borrower will pay all costs and expenses required to satisfy the conditions of this Agreement, including but not limited to all taxes and recording expenses, reasonable Lender’s attorney’s fees, costs of surveys, appraisals, environmental reports, title insurance and opinions and title updates, recording costs, reasonable fees of Inspecting Architect and other consultants (provided Lender provides Borrower notice of such fee prior to delivery of services), fees for Lender’s internal appraisal review, fees for environmental review, real estate taxes, and insurance premiums.
Section 7.4. **Inspections.** Lender has retained Inspecting Architect, at Borrower's expense, to make periodic inspections of the Project and to review all change orders and relating to the Project. Lender may request Inspecting Architect, before each disbursement of Loan Proceeds is made, to inspect all work and materials for which payment is requested and all other work upon the Project, approve such work and the current Draw Request and/or submit to Lender a progress inspection report. Lender may also retain such other consultants as Lender deems necessary or convenient to perform such services as may, from time to time, be required by Lender in connection with the Loans, this Agreement, the other Loan Documents or the Project. Borrower will permit Lender and its representatives to enter upon the Project at all reasonable times to inspect the Improvements and the construction thereof and to examine all detailed plans, shop drawings, specifications and other records which relate to the Improvements. Borrower will cooperate, and use commercially reasonable efforts to cause all contractors, subcontractors and materialmen to cooperate with Lender to enable it to perform its functions hereunder.

Notwithstanding any provisions of this Agreement or the Disbursing Agreement to the contrary, in the event that Lender should determine that the work performed or the materials furnished with respect to the Improvements are, in any way, not as shown on the Plans, Lender shall notify Borrower of its objections thereto, and, upon demand, Borrower shall correct the conditions to which Lender objects, and Borrower shall receive no further advances of Loan Proceeds until such corrections have been completed.

Neither Borrower nor any third party shall have the right to rely upon the reports of the Inspecting Architect or any other reports generated by Lender or its consultants for any purpose whatsoever, whether made prior to or after commencement of construction, but upon request by Borrower, Lender will deliver a copy of each such report to Borrower. Borrower shall be responsible for making its own inspections of the Project during the course of construction and shall determine to its own satisfaction that the work done and materials supplied are in accordance with applicable contracts with its contractors and the Plans. By advancing funds after any inspection of the Project by Lender or Inspecting Architect, Lender shall not be deemed to waive any Event of Default, to waive any right to require construction defects be corrected, or to acknowledge that all construction conforms with the Plans.

Section 7.5. **Construction of Improvements.** Borrower will cause the construction of the Improvements to be prosecuted with due diligence and continuity so that the Completion shall occur in accordance with the Plans on or before the Completion Date, free and clear of liens or claims for liens. Notwithstanding anything to the contrary contained in this Agreement, in the event that Lender determines that the actual quality or value of the work performed or the materials furnished does not correspond with the quality or value of the work required by the Plans, Lender shall notify Borrower of its objections thereto and, upon demand, Borrower shall immediately correct the conditions to which Lender objects, to Lender’s sole satisfaction, and Borrower shall receive no further advances of Loan Proceeds until such corrections have been completed.

Section 7.6. **Insurance.** Borrower shall maintain a Builders All Risk/Special Form Completed Value (Non-Reporting Form) Hazard Insurance policy, including without limitation, theft coverage and such other covers and endorsements as Lender may require, insuring Lender against damage to the Project and Improvements in an amount not less than 100% of the full
replacement cost at the time of completion of the Improvements. Such coverage should adequately insure any and all Loan collateral, whether such collateral is onsite, stored offsite or otherwise. Lender shall be named on the policy as mortgagee and named under a Lender’s Loss Payable Endorsement, and a policy of Commercial General Liability insurance on an occurrence basis, with coverages and limits as required by Lender, insuring against liability for injury and/or death to any person and/or damage to any property occurring on the Project and/or in the Improvements. During the period of any construction, Borrower may cause its contractors and/or subcontractors to maintain in full force and effect any or all of the liability insurance required hereunder. Lender may require that Borrower be named as an additional insured on any such policy. Whether Borrower employs a general contractor or performs as owner-builder, Lender may require that coverage include statutory workers’ compensation insurance.

Section 7.7. Changes. No single change increasing the guaranteed maximum price contract more than $25,000, nor any changes increasing the guaranteed maximum price contract in the aggregate more than $50,000, nor any structural change to the Improvements shall be made in the approved Plans without Lender’s prior written consent (such consent not to be unreasonably withheld, conditioned or delayed).

Section 7.8. Loan in Balance.

(a) Anything in this Agreement to the contrary notwithstanding, it is expressly understood and agreed that the Loan at all times shall be in balance. The Loan shall be deemed to be in balance only when the aggregate amount of the undisbursed Loan Proceeds together with any sources yet to be contributed by Borrower, acknowledge by Lender in its discretion, equals or exceeds the amount necessary, based on Lender’s estimates, to pay all unpaid costs to complete the Improvements in accordance with the Plans and to pay the amounts necessary for the estimated or actual costs of start-up expenses, interest expense, initial operating deficits, including all operating expenses and interest expenses through the date Lender projects breakeven operations, the expense of items set forth in Section 7.3 hereof, and all other non-construction costs associated with the Loan and with Borrower’s actual or proposed use of the Project and Improvements.

(b) If for any reason the aggregate amount of such undisbursed Loan Proceeds shall at any time be or become insufficient for such purpose under (a) above, regardless of how such conditions may be caused, within 10 Business Days following demand by Lender, Borrower will deposit with Title sufficient funds equal to said insufficiency in order to bring the Loans back into balance. All sums so deposited shall be disbursed to pay costs of the Improvements in the same manner as, and prior to, further disbursements of Loan Proceeds.

Section 7.9. Appraisals. Borrower agrees that Lender shall have the right to obtain, at Borrower’s expense, an appraisal of the Project, prepared by an appraiser acceptable to Lender and in substantial conformance with governmental regulations applicable to Lender and approved by Lender at any time that (a) an Event of Default has occurred hereunder, (b) any damage or destruction of the Project occurs, (c) Lender determines in its reasonable opinion that the security for the Loans has been physically or financially impaired in any material manner, or (d) such appraisal is required by then current banking laws or regulations. In the event that
Lender shall elect to obtain such an appraisal, Lender may immediately commission an appraiser acceptable to Lender, at Borrower’s cost and expense, to prepare the appraisal and Borrower shall fully cooperate with Lender and the appraiser in obtaining the necessary information to prepare such appraisal. In the event that Borrower fails to cooperate with Lender in obtaining such an appraisal or in the event that Borrower shall fail to pay for the cost of such appraisal and Lender’s internal appraisal review fee, immediately upon demand, such event shall constitute an Event of Default hereunder and Lender shall be entitled to exercise all remedies available to it hereunder. In the event that at any time after the Conversion Date, any such appraisal shall determine that the then outstanding principal balance under the Loans is greater than 50% of the fair market value of the Project and Borrower fails to prepay, within 10 days after written notice from Lender to Borrower, the outstanding principal balance of the Term Loan to the extent necessary to reduce the sum of said principal balance down to 50% of said fair market value, such event shall constitute an Event of Default hereunder, and Lender shall be entitled to exercise all remedies available to it hereunder. In the event such appraisal is required by reason of the damage or destruction of a portion of the Project, the fair market value shall be calculated on the Project after restoration of the Project, but subject only to then existing Leases which will remain in full force and effect following such restoration.

Section 7.10. Other Indebtedness. Without the prior written consent of Lender (such consent not to be unreasonably withheld, conditioned or delayed), Borrower shall not create nor permit to remain outstanding any indebtedness or any guarantees or contingent liabilities that has a material adverse effect on Borrower, other than debt which is secured by projects not financed by Lender, trade payables not past due, the Loan and loans from members in Borrower subordinated to the Loan, in form and substance acceptable to Lender and contractual obligations to Contractors for the construction of the Improvements.

Section 7.11. Change in Name or State of Organization. Borrower shall not change its name or the state in which it is organized without 30 days’ prior written notice to Lender.

Section 7.12. Distributions to Members. Notwithstanding anything to the contrary in the organizational documents of Borrower, Borrower shall make no distributions to any member in Borrower when an Event of Default exists.

Section 7.13. Single Asset Entity. Borrower does not own any real property, other than the Project and any asset not used solely in connection with the ownership of the Project. Borrower agrees that it will not engage in any other business other than the ownership and operation of the Project.

Section 7.14. Compliance with other Loan Documents. Borrower shall promptly comply with all of the covenants and agreements of Borrower which are contained in the other Loan Documents and other easements, agreements and restrictions affecting the Project.

Section 7.15. Compliance with Laws. Borrower shall remain in full compliance with all federal, state and municipal laws, statutes and ordinances and all rules and regulations promulgated thereunder, and restrictions of record affecting the Project, including those dealing with building, parking, zoning, environmental impact, setbacks, Americans With Disabilities Act, wetlands, safety and pollution control.
Section 7.16. **Pledged Cash Account.** Borrower shall maintain a balance of not less than $150,000 at all times in the Pledged Cash Account.

Section 7.17. **Tax Credit Purchase Agreement.** All proceeds due to Borrower under the Tax Credit Purchase Agreement shall be used to paydown the outstanding principal balance of the Loan.

**ARTICLE VIII**

**DEFAULT**

Section 8.1. **Events of Default by Borrower.** The occurrence of any one or more of the following shall constitute an “Event of Default” herein and in the other Loan Documents:

(a) Borrower shall default in the payment of principal, interest, fees or other amounts payable to Lender hereunder, under the Note or under any of the other Loan Documents and Borrower shall fail to cure such default within the later to occur of (i) 15 days after the date such payment is due, or (ii) five (5) days after Lender’s written notice of late payment;

(b) Any representation, warranty or statement made by Borrower or any Guarantor in this Agreement, the Guaranties or any of the other Loan Documents proves untrue in any material respect and shall remain untrue for 20 days after written notice by Lender to Borrower;

(c) Work on any of the Improvements shall be substantially abandoned, or shall, by reason of Borrower’s fault, be unreasonably delayed or discontinued for a period of more than 20 days, or construction shall be delayed for any reason whatsoever to the extent that Completion cannot, in the reasonable judgment of Lender, be accomplished on or before the Completion Date for the Project unless the Completion Date cannot be achieved as a result of acts of Lender, God, fire, storm, strikes, blackouts, labor difficulties, riots, inability to obtain materials, equipment or labor, governmental restrictions or any similar cause over which Borrower is unable to exercise control;

(d) The reasonable disapproval by Lender at any time of any construction work and the failure of Borrower to cause the same to be corrected to the satisfaction of Lender within 30 days of receipt of written notice from Lender; provided, however, if within such 30 day period Borrower has made a good faith effort to comply with the foregoing requirements but has not yet been able to complete the same and such efforts continue and it reasonably appears that they will be successful, then the time to cure such default shall be extended by such reasonable time as determined by Lender;

(e) The bankruptcy or insolvency of any general contractor or subcontractor under contract to work on any of the Improvements and failure of Borrower to procure a contract or subcontract with a new substitute contractor or subcontractor acceptable to Lender within 30 days from the date Borrower receives actual notice of the occurrence of such bankruptcy or insolvency;
(f) If Borrower or any Guarantor files a voluntary petition in bankruptcy or is adjudicated a bankrupt or insolvent, or files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state or other statute or law, makes an assignment for the benefit of creditors, or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of Borrower or any Guarantor of all or any substantial part of their properties or of the Project;

(g) If within 60 days after the commencement of any proceeding against Borrower or any Guarantor seeking any reorganization, arrangement, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state or other statute or law, such proceeding is not dismissed, or if, within 60 days after the appointment, without the consent or acquiescence of Borrower of any trustee, receiver or liquidator of Borrower or any Guarantor, of all or any substantial part of their properties or of the Project, such appointment is not vacated or stayed on appeal or otherwise, or if, within 60 days after the expiration of any such stay, such appointment is not vacated;

(h) An event of default occurs and remains uncured beyond any applicable cure period under the terms of any other indebtedness of Borrower, any Affiliate or any Guarantor to Lender whether any such indebtedness is now existing or hereafter arises and whether direct or indirect, due or to become due, absolute or contingent, primary or secondary or joint or joint and several;

(i) Any Guarantor shall die and Borrower fails to secure a replacement Guarantor who shall assume the obligations of such deceased Guarantor within 90 days, such replacement Guarantor and the terms of such assumption shall be subject to Lender’s approval (such approval not to be unreasonably withheld, conditioned or delayed);

(j) A judgment or judgments for the payment of money in excess of the sum of $25,000 in the aggregate shall be rendered against Borrower or any Guarantor, which has a material adverse effect on Borrower or said Guarantor, and Borrower or such Guarantor shall within 30 days of receipt of written notice of such judgment, and in any event prior to the execution thereof by the judgment creditor, or, if Borrower is 90 days delinquent, continuously and in good faith contests such judgment, not discharge the same, procure a stay of execution thereof, or appeal therefrom and cause the execution thereof to be stayed during such appeal;

(k) Any execution or attachment shall be issued whereby any property of Borrower shall be taken or attempted to be taken, which has a material adverse effect on Borrower, and the same shall not have been vacated or stayed within thirty (30) days after Borrower’s receipt of written notice thereof;

(l) Any Loan Document shall, at any time, cease to be in full force and effect or shall be judicially declared null and void, or the validity or enforceability thereof shall
be contested by Borrower and/or any Guarantor, or Lender shall cease to have a valid and perfected security interest having the priority contemplated thereunder in the collateral described therein, other than by action or inaction of Lender, if any of the foregoing shall remain unremedied for 15 days or more after receipt or notice thereof to Borrower from Lender;

(m) Failure to remain in compliance with any and all requirements necessary to maintain the Historic Tax Credits or there is a default under the Allocation Agreement;

(n) Any amendment, modification or termination of the Tax Credit Purchase Agreement without approval of the Lender, which approval shall not be unreasonably withheld or the Tax Credit Purchaser fails to purchase the Historic Tax Credits on or before such date as set forth in the Tax Credit Purchase Agreement;

(o) 7.8(b) or 7.9 hereof or under Sections 1.3 or 1.5 of the Mortgage and Borrower fails to remedy such default within 10 days of notice by Lender;

(p) Any event occurs which is denominated as an “Event of Default” in any other section of this Agreement or in any of the other Loan Documents past expiration of any applicable notice or cure period;

(q) Borrower or the City is in default under the Development Agreement beyond any applicable cure period;

(r) Borrower shall default in the performance or observance of any material agreement, covenant or condition required to be performed or observed by such Borrower under the terms of this Agreement, other than a default described in Subsection 8.1(a) through (q) above, which default, if curable, is not cured within 30 days after Lender gives Borrower written notice thereof; provided, however, that if said curable default cannot reasonably be cured within said 30 day period, but Borrower commences the cure thereof within said 30 day period and prosecutes said cure diligently, continuously and in good faith, said 30 day period shall be extended by the period of time reasonably required to cure the same, not to exceed an additional 60 days.

Section 8.2. Lender’s Remedies in the Event of Default. Upon the occurrence of any Event of Default, Lender may, in its sole discretion, pursue any one or more of the following remedies concurrently or successively, it being the intent hereof that none of such remedies shall be to the exclusion of any other:

(a) Make, or suspend or terminate Lender’s obligation to make, further disbursements of the Loan Proceeds;

(b) Perform any or all of Borrower’s covenants and agreements hereunder, under any of the other Loan Documents;

(c) Declare the entire indebtedness evidenced by the Note, without demand or notice of any kind (which are hereby expressly waived) to be due and payable at once.
and, in such event, such indebtedness and obligations shall become immediately due and payable;

(d) Set off any sum due to or incurred by Lender against all deposits and credits of Borrower with, and any and all claims of Borrower against, Lender. Such right shall exist whether or not Lender shall have made any demand hereunder or under any other Loan Document, whether or not said sums, or any part thereof, or deposits and credits held for the account of Borrower is or are matured or unmatured, and regardless of the existence or adequacy of any collateral, guaranty or any other security, right or remedy available to Lender. Lender agrees that, as promptly as is reasonably possible after the exercise of any such setoff right, it shall notify Borrower of its exercise of such setoff right; provided, however, that the failure of Lender to provide such notice shall not affect the validity of the exercise of such setoff rights. Nothing in this Agreement shall be deemed a waiver or prohibition of or restriction on Lender to all rights of banker’s lien, setoff and counterclaim available pursuant to law;

(e) Exercise any or all remedies specified herein and in the other Loan Documents, including (without limiting the generality of the foregoing) the right to foreclose the Mortgage, and/or exercise any other remedies which it may have therefore at law, in equity or under statute; and

(f) Use any unadvanced Loan Proceeds remaining under this Agreement or which may be reserved, escrowed or set aside for any purpose hereunder at any time to complete the Improvements.

Any expense incurred by Lender in the performance of any of the foregoing remedies, shall be deemed to be part of the indebtedness of Borrower pursuant to the Loan.

ARTICLE IX

GENERAL COVENANTS

Section 9.1. Binding Effect; Waivers; Cumulative Rights and Remedies. The provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, personal representatives, legal representatives, successors and assigns; provided, however, that neither this Agreement nor the proceeds of the Loan may be assigned by Borrower voluntarily, by operation of law or otherwise, without the prior written consent of Lender. No such consent by Lender to an assignment shall release Borrower hereunder. No delay on the part of Lender in exercising any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder constitute such a waiver or exhaust the same, all of which shall be continuing. The rights and remedies of Lender specified in this Agreement shall be in addition to, and not exclusive of, any other rights and remedies which Lender would otherwise have at law, in equity or by statute, and all such rights and remedies, together with Lender’s rights and remedies under the other Loan Documents, are cumulative and may be exercised individually, concurrently, successively and in any order.
Section 9.2. Time of the Essence. Time is of the essence of this Agreement.

Section 9.3. No Agency. Lender is not the agent or representative of Borrower, and Borrower is not the agent or representative of Lender, and nothing in this Agreement will be construed to make Lender liable to anyone for goods delivered or services performed upon the Project or for debts or claims accruing against Borrower.

Section 9.4. No Partnership or Joint Venture. Neither anything contained herein nor the acts of the parties hereto will be construed to create a partnership or joint venture between Borrower and Lender.

Section 9.5. No Third Party Beneficiaries. All conditions to the obligations of Lender to make advances hereunder are imposed solely and exclusively for the benefit of Lender and its assigns and no other Person will have standing to require satisfaction of such conditions or be entitled to assume that Lender will not make disbursements in the absence of strict compliance with any or all thereof and no other Person, under any circumstances, will be deemed to be beneficiary of such conditions, any or all of which may be waived in whole or in part by Lender at any time if Lender in its sole discretion deems it advisable to do so.

Section 9.6. Waiver. No delay or omission by Lender to exercise any right or power arising from any default will impair any such right or power or be considered to be a waiver of any such default or any acquiescence therein nor shall the action or nonaction of Lender in case of default on the part of Borrower impair any right or power arising therefrom. No disbursement of the Loan hereunder shall constitute a waiver of any of the conditions to Lender’s obligation to make further disbursements nor, in the event Borrower is unable to satisfy any such condition, shall any such disbursement have the effect of precluding Lender from thereafter declaring such inability to be an Event of Default as hereinabove provided.

Section 9.7. Notices. All notices, requests, demands and other communications required or permitted to be given hereunder, or pursuant to the applicable version of the Uniform Commercial Code, will be sufficiently given if in writing and delivered in person, sent by United States certified mail, return receipt requested, postage prepaid, sent by overnight mail by a nationally recognized courier service or sent by fax (provided that a copy of such fax is also sent to such party on the same Business Day by certified mail or by an overnight courier service) at the appropriate address or fax number set forth opposite the signature of such party on the signature page to this Agreement, or to such other address or fax number as either party may give to the other in writing at least 10 days prior to the effective date of said change of address or fax number. Notices delivered in person shall be effective upon receipt; notices delivered by mail shall be effective 3 Business Days after being deposited in the United States mail; notices delivered by overnight mail shall be effective on the Business Day following delivery to the courier; and notices sent by fax shall be effective on the Business Day of the transmission; provided the transmitting party receives a fax machine confirmation of receipt and has mailed or couriered a copy of the fax to the other party as provided above.

Section 9.8. Sale of Loan or Participations. Lender may at any time sell, assign, transfer, syndicate, grant participations in or otherwise dispose of any portion of the Loans (each such interest so disposed of being herein called a “Transferred Interest”) to banks, insurance
companies or other financial institutions (hereinafter called “Transferees”), pursuant to such assignment agreements, transfer agreements, co-lender agreements, participation agreements and/or agency agreements into which Lender and its Transferees may enter and by which Borrower shall agree in writing to recognize. In addition, Lender may, at any time and from time to time, in its ordinary course of business and in accordance with applicable law, (i) assign an undivided interest in the Loans to an affiliate of Lender or to any successor entity by reason of any merger affecting Lender; or (ii) pledge or assign the same to any Federal Reserve Bank in accordance with applicable law. No such assignment shall be binding upon Borrower until Lender gives written notice thereof to Borrower. Lender may divulge all information relating to Borrower, Guarantors or the Project which Lender has to any actual or potential Transferee provided such disclosure is subject to a reasonable confidentiality agreement, and Borrower shall cooperate with Lender in connection with the transfer. Borrower agrees that each Transferee shall be entitled to the benefits hereof with respect to its Transferred Interest and that each Transferee may exercise any and all rights of banker’s lien, setoff and counterclaim as if such Transferee were a direct lender to Borrower. If Lender makes any assignment to a Transferee, then upon notice to Borrower such Transferee, to the extent of such assignment (unless otherwise provided therein) shall become a lender hereunder and shall have the rights and obligations of Lender hereunder, and Lender shall be released from its duties and obligations under this Agreement to the extent of such assignment, provided, however, that so long as Lender retains any portion of the Loans, Lender shall remain the sole source of communication, including without limitation all notices, between “Lender,” including all Transferees, and Borrower.

Section 9.9. Partial Invalidity. In the event any one or more of the provisions contained in this Agreement shall be for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been set forth herein.

Section 9.10. Entire Agreement. This Agreement, the other Loan Documents and the other documents mentioned herein set forth the entire agreement of the parties with respect to the Loan and supersede all prior written or oral understandings and agreements with respect thereto. No modification or waiver of any provision of this Agreement shall be effective unless set forth in writing and signed by the parties hereto.

Section 9.11. Publicity. Borrower hereby gives Lender permission to release articles concerning financing of the Project. Lender may, if it so desires, provide to Borrower a sign of reasonable size, indicating that Lender is providing financing for the Project, which Borrower shall, at Lender’s expense, erect on the Project.

Section 9.12. Indemnity. Borrower agrees to indemnify, protect, hold harmless and defend Lender, its parent, directors, officers, employees, agents, representatives, consultants and attorneys, from and against any and all losses, liabilities, suits, actions, obligations, fines, damages, judgments, penalties, claims, causes of action, charges, costs and expenses (including attorneys’ fees, disbursements and court costs prior to trial, at trial and on appeal) which may be imposed on, incurred or paid by, or asserted against Lender by reason or on account of, or in connection with, (i) any misconduct of Borrower or any default or Event of Default hereunder, (ii) any breach of any representation or covenant of Borrower in any Loan Document (iii) the
construction, reconstruction or alteration of the Project, (iv) any negligence of Borrower or with respect to matters occurring at or with respect to the Project, any negligence or willful misconduct of any occupant or invitee (excluding Lender) of the Project or any of their respective agents, contractors, subcontractors, servants, directors, officers, employees, licensees or invitees, (v) any accident, injury, death or damage to any person or property occurring in, on or about the Project or any street, drive, sidewalk, curb or passageway adjacent thereto, except to the extent that the same results directly from the willful misconduct or negligence of Lender, or (vi) any claim by any broker or agent for the payment of a commission or fee by reason of the execution of this Agreement or the disbursement of the Loan Proceeds. Any amount payable to Lender under this Section 9.12 shall be due and payable upon demand therefore and receipt by Borrower of a statement from Lender setting forth in reasonable detail the amount claimed and the basis therefore. Borrower’s obligations under this Section 9.12 shall not be affected by the absence or unavailability of insurance covering the same or by the failure or refusal of any insurance carrier to perform any obligation on its part under any such policy of insurance. If any claim, action or proceeding is made or brought against Lender which is subject to the indemnity set forth in this Section 9.12, Borrower shall resist or defend against the same, in its own name or, if necessary, in the name of Lender, by attorneys for Borrower’s insurance carrier (if the same is covered by insurance) approved by Lender or otherwise by attorneys retained by Borrower and approved by Lender. Notwithstanding the foregoing, Lender, in its discretion, if it disapproves of the attorneys provided by Borrower or Borrower’s insurance carrier, may engage its own attorneys to resist or defend, or to assist therein, and Borrower shall pay, or, on demand, shall reimburse Lender for the payment of, all fees and disbursements of said attorneys. All obligations set forth in this Section 9.12 shall survive payment of the indebtedness secured hereby, foreclosure of the Mortgage or acceptance by Lender, its successors or assigns of a deed-in-lieu of foreclosure.

Section 9.13. WAIVER OF JURY TRIAL. BORROWER AND LENDER HEREBY JOINTLY AND SEVERALLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, TO THE NOTES AND TO ANY OF THE LOAN DOCUMENTS, THE OBLIGATIONS HEREUNDER OR THEREUNDER, ANY COLLATERAL SECURING THE OBLIGATIONS, OR ANY TRANSACTION ARISING THEREFROM OR CONNECTED THERETO. BORROWER AND LENDER EACH REPRESENTS TO THE OTHER THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY GIVEN.

CONVENIENT. IN THE EVENT AN ACTION IS COMMENCED IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT, LENDER AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.

Section 9.15. Counterparts. This Agreement may be executed in several counterparts, each of which when executed is an original, but all of which together shall constitute one instrument. Separate signature pages may be signed by various parties and each complete set of pages hereto, with signature pages signed by each party, shall constitute one original of this Agreement.

Section 9.16. Captions. The heading captions of the articles and sections of this Agreement are set forth for convenience only and are not to be considered in interpreting this Agreement.
EXECUTED ON THE DAY AND YEAR FIRST ABOVE WRITTEN.

BORROWER:

GRINNELL CENTER, LLC, an Iowa limited liability company

By: [Signature]

Angela Harrington
Its Manager

Address:

201 East Street
Grinnell, Iowa 50112
EXECUTED ON THE DAY AND YEAR FIRST ABOVE WRITTEN.

LENDER:

LINCOLN SAVINGS BANK,
an Iowa State banking corporation

By:
Scott S. Jarvis
Its Senior Vice President

Address:

13523 University Avenue
Clive, Iowa 50325
Faesimile: (515) 221-9879
Exhibits

Exhibit A  Real Estate
Exhibit B  Draw Request
Exhibit C  Project Cost Statement
EXHIBIT A

REAL ESTATE

GRINNELL LOTS 9, 10, 11 & 12, BLOCK 14

Parcel No. 0501900 in Poweshiek County, Iowa.
EXHIBIT B

DRAW REQUEST
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<td>C. APPLICATION NO.</td>
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**CONTRACT FOR**

via Architect

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EXHIBIT C
PROJECT COST STATEMENT

(Attached)