

**MEMORANDUM
FINANCE DEPARTMENT**

TO: Thomas Thomas, City Manager
SUBJECT: Friendship Manor Bond Issue

Number: 044 – 13
Date: 12 – 12 - 12

Friendship Manor is in the process of refinancing outstanding debt and issuing new debt. The refinancing of the Retirement Facilities Revenue Bonds (Friendship Manor Project) Series 2004 will reduce interest costs and new debt will provide funds for facility improvements. Of the \$8,650,000, \$4,160,300 is for the refinancing and \$4,489,700 is for new improvements.

These revenue bonds, though issued through the city, are payable from Friendship Manor funds and will not be considered obligations of the City.

The following are referenced in the bond ordinance and define the financing arrangement between Friendship Manor and the City: 1) Mortgage and Security Agreement, 2) Assignment and Agreement and 3) Loan Agreement. In general terms, the bonds are issued by the City of Rock Island, the bond proceeds are loaned to Friendship Manor and the mortgage is the collateral for the loan. The trustee is responsible for maintaining the contractual relationships and making the debt service payments.

Included in the Mortgage and Security Agreement is a limitation on property tax assessment appeals. Friendship Manor has a history of annually filing assessment appeals. Similar to the last agreement the City had with Friendship Manor, this agreement also disallows future appeals unless the equalized assessed valuation increases by at least four percent.

Recommendation:

Council consider, suspend, and pass the ordinance authorizing the issuance and sale of \$8,650,000 Retirement Facility Revenue Bonds (Friendship Manor Project), Series 2012.

Submitted by: Cynthia L Parchert, Finance Director
Approved: Thomas Thomas, City Manager

ORDINANCE NO. _____

AN ORDINANCE PROVIDING FOR THE FINANCING BY THE CITY OF ROCK ISLAND, ROCK ISLAND COUNTY, ILLINOIS, OF A PROJECT AND THE REFUNDING OF CERTAIN OUTSTANDING BONDS OF SAID CITY; AUTHORIZING THE ISSUANCE OF A RETIREMENT FACILITY REVENUE BOND, SERIES 2012 (FRIENDSHIP MANOR, INC. PROJECT) IN THE PRINCIPAL AMOUNT OF \$8,650,000 AND CONFIRMING THE SALE THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT, A MORTGAGE AND SECURITY AGREEMENT, AN ASSIGNMENT AND AGREEMENT, A TAX EXEMPTION CERTIFICATE AND AGREEMENT AND RELATED DOCUMENTS; AND RELATED MATTERS.

WHEREAS, the City of Rock Island, Rock Island County, Illinois (the “*Issuer*”) is a duly constituted and validly existing municipality within the meaning of Section 1 of Article VII of the 1970 Constitution of the State of Illinois, having a population in excess of 25,000, and is a home rule unit of government under Section 6(a) of Article VII of said Constitution; and

WHEREAS, pursuant to the Constitution and the laws of the State of Illinois, and particularly its home rule powers and an ordinance duly adopted by the City Council of the Issuer on April 2, 1979, as supplemented and amended (the “*Enabling Act*”), the Issuer is authorized to issue its revenue bonds to aid in the financing of the costs of “projects,” as defined in the Enabling Act, to the end that the Issuer may be able to relieve conditions of unemployment and to encourage the increase of industry within the City of Rock Island, Illinois, thereby reducing the evils attendant upon unemployment and increasing the health, welfare and prosperity of the residents of the City of Rock Island, Illinois, and to refund revenue bonds previously issued by the Issuer under the Enabling Act; and

WHEREAS, the Issuer has previously discussed with Friendship Manor, Inc., an Illinois not-for-profit corporation (the “*Company*”), a plan of the Company to construct building additions and improvements to the existing health care and retirement facilities of the Company and to acquire furnishings, equipment and related property to be installed therein (the “*Prior Project*”), all owned and used by the Company as health care and retirement facilities and all located in the City of Rock Island, Illinois; and

WHEREAS, as a result of negotiations between the Issuer and the Company, contracts have been entered into by the Company for the acquisition, construction and installation of the Prior Project; and

WHEREAS, the Prior Project constitutes a “project,” within the meaning of the Enabling Act; and

WHEREAS, pursuant to the Constitution and the laws of the State of Illinois, and particularly the Enabling Act and its home rule powers, the Issuer has previously issued its

Retirement Facility Revenue Bonds (Friendship Manor Project), Series 2004 in the principal amount of \$6,345,000 (the “*Prior Bonds*”) to finance the Prior Project; and

WHEREAS, the Issuer has previously discussed with the Company a plan to construct additional improvements to the existing health care and retirement facilities of the Company, to construct new buildings and related improvements and to acquire furnishings, equipment and related property to be installed therein (the “*Project*”), all to be owned and used by the Company as health care and retirement facilities and all to be located in the City of Rock Island, Illinois; and

WHEREAS, as a result of negotiations between the Issuer and the Company, contracts have been or will be entered into by the Company for the acquisition, construction and installation of the Project; and

WHEREAS, the Project will constitute a “project,” within the meaning of the Enabling Act; and

WHEREAS, it is proposed that the Issuer shall enter into a Loan Agreement with the Company (the “*Agreement*”), pursuant to which the Issuer shall lend the Company a sum sufficient, together with other moneys of the Company, to finance the acquisition, construction and installation of the Project and to refund the Prior Bonds, and the Issuer is willing to issue its revenue bond to finance the Project and to refund the Prior Bonds upon terms which will be sufficient to pay a portion of the cost of the acquisition, construction and installation of the Project, to refund the Prior Bonds and to pay a portion of the costs of issuance of such revenue bond, as evidenced by such revenue bond, all as set forth in the details and provisions of the Agreement; and

WHEREAS, it is estimated that the costs of the Project and the refunding of the Prior Bonds, including costs relating to the preparation and issuance of such revenue bond, will be not less than \$8,650,000; and

WHEREAS, the Project and the Prior Project will be of the character and will accomplish the public purposes provided by the Enabling Act, and will maintain employment opportunities and create additional employment opportunities in and will promote the health, welfare and prosperity of the citizens of the City of Rock Island, Illinois; and

WHEREAS, the Issuer proposes to sell the revenue bond hereinafter authorized and designated “Retirement Facility Revenue Bond, Series 2012 (Friendship Manor, Inc. Project)” upon a negotiated basis to Blackhawk Bank & Trust of Rock Island, Illinois; and

WHEREAS, pursuant to the provisions of Section 147(f) of the Internal Revenue Code of 1986, as amended, a public hearing on the proposed plan of financing of the Project through the issuance of said Bond was held by the City Council of the Issuer on December 17, 2012, prior to the adoption of this Ordinance, pursuant to notice published in *The Argus* on December 2, 2012;

Now Therefore, Be It Ordained by the City Council of the City of Rock Island, Rock Island County, Illinois, as follows:

DEFINITIONS

Section 1. The following words and terms as used in this Ordinance shall have the following meanings unless the context or use indicates another or different meaning or intent:

“Agreement” means the Loan Agreement dated as of December 1, 2012, by and between the Issuer and the Company, as from time to time supplemented and amended.

“Assignment” means the Assignment and Agreement dated as of December 1, 2012, by and between the Issuer and the Owner, as from time to time supplemented and amended.

“Authorized Company Representative” means such person at the time and from time to time designated to act on behalf of the Company by written certificate furnished to the Issuer and the Owner, containing the specimen signature of such person, signed by the president, any vice president, the chief financial officer or the Secretary of the Company. Such certificate may designate an alternate or alternates.

“Bond” means the Retirement Facility Revenue Bond, Series 2012 (Friendship Manor, Inc. Project) of the Issuer, in the principal amount of \$8,650,000, authorized to be issued pursuant to this Ordinance.

“Bond Counsel” means a firm of attorneys of nationally recognized standing on the subject of bonds of states and their political subdivisions, as may be mutually satisfactory to the Issuer, the Company and the Owner.

“Buildings” means the buildings described in the preambles hereto to be constructed on the Land and the Premises, to be financed with a portion of the proceeds of the Bond, comprising a portion of the Project.

“Business Day” or *“business day”* means any day which is not (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the City of Rock Island, Illinois (or, if different, in the city in which the principal office of any Owner is located) are authorized or required by law or executive order to close.

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

“Company” means Friendship Manor, Inc., a not-for-profit corporation duly organized and validly existing under the laws of the State of Illinois, and any surviving, resulting or transferee corporation as permitted by Section 5.2 of the Agreement.

The term *“default”* means those defaults, exclusive of any period of grace, specified in and defined in Section 11 of this Ordinance.

“Determination of Taxability” means (i) the receipt by the Company of a written notice from the Owner or any former owner of the Bond of the issuance of a preliminary letter regarding a proposed deficiency or a statutory notice of deficiency by the Internal Revenue Service which holds, in effect, that the interest payable on the Bond, or any installment thereof, is includible in the Federal gross income of the taxpayer named therein, (ii) the filing by the Company with the Owner, any former owner of the Bond or the Internal Revenue Service of any certificate, statement or other tax schedule, return or document which concludes or discloses that the interest payable on the Bond, or any installment thereof, is includible in the Federal gross income of the Owner or any former owner of the Bond, or (iii) any amendment, modification, addition or change shall be made in Section 145 of the Code or any other provision of the Code or in any regulation or proposed regulation thereunder; or any ruling shall be issued or revoked by the Internal Revenue Service; or any other action shall be taken by the Internal Revenue Service, the Department of Treasury or any other governmental agency, authority or instrumentality; or any opinion of any Federal court or of the United States Tax Court shall be rendered; and the Owner shall have notified the Company in writing that, as a result of any such event or condition described in this clause (iii), Bond Counsel is unable to give an unqualified opinion that the interest payable on the Bond, or any installment thereof, made on or after a date specified in said opinion is excludible from the Federal gross income of the taxpayer named therein, unless the Company can deliver to the Issuer and the Owner within fifteen (15) days of the receipt of said notice from the Owner an opinion of Bond Counsel to the effect that, as a result of any such event or condition described in this clause (iii), the interest payable on the Bond, or any installment thereof, made on or after the same date referred to above is excludible from Federal gross income of the Owner.

“Enabling Act” means the ordinance duly adopted by the City Council of the Issuer on April 2, 1979, as supplemented and amended.

“Equipment” means the furnishings, equipment and related property to be acquired and installed by the Company, to be financed with a portion of the proceeds of the Bond, comprising a portion of the Project.

The term *“event of default”* means those events specified in an defined in Section 11 of this Ordinance.

The words *“hereof,” “herein,” “hereunder”* and other words of similar import refer to this Ordinance as a whole.

“Improvements” means the improvements described in the preambles hereto to be constructed on the Land and to the Premises, to be financed with a portion of the proceeds of the Bond, comprising a portion of the Project.

“Issuer” means the City of Rock Island, Rock Island County, Illinois, a municipality and a home rule unit of government duly organized and validly existing under the Constitution and the laws of the State of Illinois, and any successor body to the duties or functions of the Issuer.

“*Land*” means the real estate owned by the Company, and described in *Exhibit C* attached to and made a part of the Agreement, on which the Project will be located.

“*Mortgage*” means the Mortgage and Security Agreement dated as of November 1, 2012, by and between the Company and the Issuer, as from time to time supplemented and amended.

“*Note*” means the promissory note of the Company dated the date of issuance, in the principal amount of \$8,650,000, made payable to the Issuer and endorsed by the Issuer to the Owner, pursuant to Section 4.2(a) of the Agreement, in order to evidence the obligation of the Company to repay the loan made under the Agreement, payments on which Note are provided to be sufficient to pay the principal installments of, premium, if any, and interest on the Bond when due.

“*Ordinance*” means this Ordinance, as from time to time supplemented and amended.

“*Owner*” means Blackhawk Bank & Trust of Rock Island, Illinois, a banking corporation duly organized and validly existing under the laws of the State of Illinois, its successors and assigns, and any subsequent registered owner of the Bond.

“*Premises*” means the Land, the existing buildings and improvements located on the Land, the Project, the Prior Project and any buildings or improvements hereafter constructed on the Land.

“*Prior Bonds*” means the Retirement Facility Revenue Bonds (Friendship Manor, Inc. Project) issued by the Issuer.

“*Prior Project*” means the building additions, improvements, furnishings, equipment and related property financed with the proceeds of the Prior Bond, as more particularly described in the preambles of this Ordinance.

“*Project*” means the Buildings, the Improvements and the Equipment to be acquired, constructed and installed by the Company and to be financed in part with the proceeds of the Bond, as defined and described in the Agreement.

“*Tax Agreement*” means the Tax Exemption Certificate and Agreement dated as of the date of delivery of the Bond, by and among the Issuer, the Company and the Owner, as from time to time supplemented and amended.

AUTHORIZATION OF THE PROJECT AND THE REFUNDING

Section 2. That in order to relieve conditions of unemployment and to encourage the increase of industry within the City of Rock Island, Illinois, thereby reducing the evils attendant upon unemployment and to provide for the increased health, welfare and prosperity of the residents of the City of Rock Island, Illinois, the Project, as described in the preamble hereto, shall be and is hereby approved and authorized to be financed in part through the issuance of the Bond, and the refunding of the Prior Bonds shall be and is hereby approved and authorized to be

funded through the issuance of the Bond, all as described in this Ordinance. The estimated cost of the acquisition, construction and installation of the Project and the refunding of the Prior Bonds is not less than \$8,650,000, which amount will be provided by the issuance of the Bond hereinafter authorized and the loan of the proceeds thereof to the Company. It is hereby found and declared that the financing of the Project, the refinancing of the Prior Project and the use thereof by the Company as hereinbefore provided, is necessary to accomplish the public purposes described in the preamble hereto, and that in order to further secure the Bond, the assignment of the right, title and interest of the Issuer in and to the Agreement (except certain expense and indemnification payments), the Note and the Mortgage, pursuant to the Assignment, is necessary and proper.

AUTHORIZATION AND PAYMENT OF BOND

Section 3. That for the purpose of financing a portion of the cost of the Project and the refunding of the Prior Bonds, there shall be and there is hereby authorized to be issued by the Issuer its Retirement Facility Revenue Bond, Series 2012 (Friendship Manor, Inc. Project), which shall be issued in the principal amount of \$8,650,000, shall be dated the date of its delivery (except as otherwise provided herein), shall be lettered R and numbered 1, shall be issued in fully registered form in the name of the Owner, or registered assigns, shall mature as to principal in principal installments in the principal amounts set forth in *Exhibit B* attached to and made a part of the Bond, payable on the fifteenth day of each calendar month, commencing on January 15, 2013, and shall bear interest on the unpaid principal amount of the Bond from the date of the Bond at the rate equal to three and ninety one-hundredths percent (3.90%) per annum, payable on the fifteenth day of each calendar month, commencing on January 15, 2013, until paid, computed on the basis of a calendar year consisting of 360 days comprised of twelve (12) thirty-day months, as the case may be, and calculated on the actual number of days elapsed. The outstanding principal amount of the Bond on any date shall be the principal amount of the Bond advanced from time to time as the purchase price for the Bond, pursuant to Sections 5 and 12 hereof, less any payments of principal previously made. In the event that the full purchase price for the Bond shall not be advanced by the Owner in the principal amount of \$8,650,000, pursuant to Sections 5 and 12 hereof, the principal installments of the Bond shall be recalculated to reduce the outstanding principal installments of the Bond on a *pro rata* basis based upon the principal amount of the Bond which is not advanced, *Schedule B* to the Bond shall be revised, and the Owner shall give the Issuer and the Company written notice of the revised maturity schedule.

The principal installments of, premium, if any, and interest on the Bond shall be payable in lawful money of the United States of America in immediately available funds at the principal office of the Owner. The Owner shall note on the Payment Record attached as Schedule A to the Bond the date and amount of the payment of principal then being paid (whether at maturity or upon acceleration or prior redemption) and interest then being paid and of principal installments theretofore paid (whether at maturity or upon acceleration or call for prior redemption) and interest theretofore paid and not yet noted thereon. Upon request of the Company or the Issuer, the Bond shall be available for inspection by the Company or the Issuer during regular business hours at the principal office of the Owner. The Owner shall notify the Issuer at least annually of the payments of the principal installments of the Bond (whether at maturity or upon acceleration

or call for prior redemption) made during such annual period, and shall include in such notification a statement of the unpaid balance of the Bond.

The Bond, together with interest thereon, shall be a special, limited obligation of the Issuer, secured by the Agreement, the Note made payable to the Issuer and endorsed by the Issuer to the Owner, the Mortgage and an assignment of the right, title and interest of the Issuer in and to the Agreement (except certain expense and indemnification payments), the Note and the Mortgage, pursuant to the Assignment, shall be payable solely from the revenues and receipts derived from the Agreement, the Note and the Mortgage (except to the extent paid out of moneys attributable to the Bond proceeds and the income from the temporary investment thereof), and shall be a valid claim of the Owner thereof only against the revenues and receipts derived from the Agreement, the Note and the Mortgage (except as provided aforesaid), which revenues and receipts shall be used for no other purpose than to pay the principal installments of, premium, if any, and interest on the Bond, except as may be otherwise expressly authorized in this Ordinance and in the Agreement. The Bond is being issued pursuant to the Enabling Act, and shall not be deemed to constitute an indebtedness of the Issuer, the State of Illinois or any political subdivision thereof, or a loan of credit or a charge against the general credit or taxing powers of any of them, within the meaning of any constitutional or statutory provisions, but is a special, limited obligation of the Issuer, payable solely out of the revenues and receipts of the Issuer derived pursuant to the Agreement (except as provided aforesaid) and the Note. No Owner of the Bond shall have the right to compel the taxing powers of the Issuer, the State of Illinois or any political subdivision thereof to pay the principal installments of, premium, if any, or interest on the Bond.

The principal installments of the Bond shall be subject to redemption prior to maturity at the option of the Issuer from any available funds, including funds derived from the prepayment of the principal of the Note (or a portion thereof) at the option of the Company pursuant to Section 7.1 of the Agreement or borrowed funds, on any date, as a whole, or in part in any order of maturity as shall be specified by the Issuer (or the Company on its behalf), at a redemption price of 100% of the principal amount thereof being redeemed plus accrued interest to the date fixed for redemption.

The principal installments of the Note shall be subject to prepayment prior to maturity by the Issuer in the event that the Company shall be obligated to prepay the principal installments of the Company Note upon a Determination of Taxability, in whole on any date within thirty (30) days after the occurrence of a Determination of Taxability at a prepayment price of 100% of the outstanding principal installments thereof, plus accrued interest thereon to the date fixed for prepayment, and without premium.

Upon receipt by the Issuer and the Owner of at least ten (10) days' prior written notice from the Company, specifying a date for the prior redemption of the principal installments of the Bond (or portions thereof), the Owner shall, to the extent that amounts are or become available therefor, apply such amounts on behalf of the Issuer to the prior redemption of the principal installments of the Bond (or portions thereof) in accordance with the preceding paragraphs. The principal installments of the Bond (or portions thereof), if designated for prior redemption, shall cease to bear interest on the specified redemption date, provided sufficient funds for their

redemption have been paid to and collected by the Owner on behalf of the Issuer for such purpose on or before such date.

The Bond shall be prepared in typewritten form.

The Mayor of the Issuer is hereby authorized, empowered and directed to execute the Bond by his or her manual or facsimile signature, and the City Clerk of the Issuer is hereby authorized, empowered and directed to attest the Bond with his or her manual or facsimile signature and to affix the official seal of the Issuer thereto. In case any official whose signature shall appear on the Bond shall cease to be such official before the delivery of the Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such official had remained in office until delivery. The Bond may be signed on behalf of the Issuer by such persons who, at the time of the execution of this Bond, are duly authorized or hold the appropriate offices of the Issuer, although on the date of the Bond such persons were not so authorized or did not hold such offices.

The Bond shall be transferable only as a whole as provided in this Ordinance. Upon surrender of the Bond for transfer at the principal office of the Owner, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or its attorney duly authorized in writing, the Issuer shall execute and deliver in the name of the transferee a substitute fully registered Bond of the same series, in the denomination of the unpaid principal amount thereof, with the same outstanding maturities and interest rate. The Issuer shall cause books for the registration and for the transfer of the Bond as provided in this Ordinance to be kept by the Owner which is hereby constituted and appointed the Bond Registrar of the Issuer. The Owner, as Bond Registrar, shall keep and maintain, on behalf of the Issuer, registration books indicating the name and address of the registered owner from time to time of the Bond. The Bond shall never be registered to bearer. The Owner shall not be required to transfer the Bond during the period of five (5) days next preceding any interest payment date of the Bond nor to transfer the Bond after the mailing of notice calling principal of the Bond for prior redemption has been given as herein provided. The person in whose name the Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of, premium, if any, or interest on the Bond shall be made only to or upon the written order of the registered owner thereof or its legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid. In each case the Issuer shall require the payment by the Owner of the Bond requesting transfer of any tax or other government charge required to be paid with respect to such transfer.

In the event the Bond is mutilated, lost, stolen or destroyed, the Issuer may execute a substitute Bond of like date, tenor, maturities and interest rate as the Bond mutilated, lost, stolen or destroyed; *provided*, that, in the case the Bond is mutilated, the mutilated Bond shall first be surrendered to the Issuer, and in the case the Bond is lost, stolen or destroyed, there shall be first furnished to the Issuer evidence of such loss, theft or destruction reasonably satisfactory to the Issuer, together with indemnity satisfactory to the Issuer. The Issuer shall duplicate on the Payment Record of the substitute Bond replacing the mutilated, lost, stolen or destroyed Bond all payments of principal (whether at maturity or upon acceleration or prior redemption) and interest

which the records of the Issuer indicate as having appeared on the mutilated, lost, stolen or destroyed Bond. In the event all the principal installments of the Bond shall have matured, instead of issuing a substitute Bond the Issuer may pay the same without surrender of the Bond. The Issuer may charge the Owner of the Bond with reasonable fees and expenses in this connection.

BOND FORM

Section 4. That the Bond, and the Payment Record - Schedule "A", shall be in substantially the following form:

NO. R-1

\$8,650,000

UNITED STATES OF AMERICA

STATE OF ILLINOIS

COUNTY OF ROCK ISLAND

CITY OF ROCK ISLAND

**RETIREMENT FACILITY REVENUE BOND, SERIES 2012
(FRIENDSHIP MANOR, INC. PROJECT)**

KNOW ALL MEN BY THESE PRESENTS that the City of Rock Island, Rock Island County, Illinois, a municipality and a home rule unit of government of the State of Illinois created and existing under the Constitution and the laws of the State of Illinois (the "*Issuer*"), for value received, promises to pay solely and only from the source and as hereinafter provided, to BLACKHAWK BANK & TRUST of Rock Island, Illinois, or registered assigns (the "*Owner*"), the principal sum of:

EIGHT MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS

, but only to the extent of the advances of the purchase price hereof paid from time to time, maturing as to principal in principal installments, and in the principal amounts set forth in *Schedule B* attached hereto and made a part hereof, payable on the fifteenth day of each calendar month, commencing on January 15, 2013, together with interest on the unpaid principal amount hereof from the date hereof at the rate equal to three and ninety one-hundredths percent (3.90%) per annum, payable on the fifteenth day of each calendar month, commencing on January 15, 2013, until paid, computed on the basis of a calendar year consisting of 360 days comprised of twelve (12) thirty-day months, as the case may be, and calculated on the actual number of days elapsed. If \$8,650,000 is not advanced as the purchase price for this Bond, the principal installments shall be reduced as provided in the Bond Ordinance.

The principal installments hereof and premium, if any, and interest hereon are payable in lawful money of the United States of America in immediately available funds at the principal office of the Owner of this Bond. Payments of principal installments (whether at maturity or upon acceleration or prior redemption) and payments of interest shall be noted by the Owner on the Payment Record - Schedule "A", made a part of this Bond, as provided in the Bond Ordinance hereinafter identified pursuant to which this Bond is issued. The Owner of this Bond shall make this Bond available for inspection during regular business hours at the principal office

of the registered owner of this Bond, at the request of the Issuer or the Company (as hereinafter defined).

This Bond is issued in the principal amount of \$8,650,000 and designated “Retirement Facility Revenue Bond, Series 2012 (Friendship Manor, Inc. Project),” pursuant to the hereinafter described Enabling Act and to a Bond Ordinance duly adopted by the City Council of the Issuer on December 17, 2012 (the “*Bond Ordinance*”), for the purpose of providing funds to finance a portion of the cost of constructing improvements to the existing health care and retirement facilities of the Company, constructing new buildings and related improvements and acquiring furnishings, equipment and related property to be installed therein (the “*Project*”), all to be located in the City of Rock Island, Illinois, refunding outstanding obligations of the Issuer and paying expenses incidental thereto and to the issuance of this Bond, to the end that the Issuer may be able to relieve conditions of unemployment and to encourage the increase of industry within the City of Rock Island, Illinois, thereby reducing the evils attendant upon unemployment and to provide for the increased health, welfare and prosperity of the residents of said City. The proceeds of this Bond will be used by the Issuer to pay Friendship Manor, Inc., a not-for-profit corporation duly organized and validly existing under the laws of the State of Illinois (the “*Company*”), for a portion of the costs of the acquisition, construction and installation of the Project and refunding said outstanding obligations, under the terms of a Loan Agreement dated as of December 1, 2012, by and between the Issuer and the Company (which agreement, as from time to time supplemented and amended, is hereinafter referred to as the “*Agreement*”).

This Bond is secured by an assignment and pledge of the revenues and receipts derived by the Issuer from the repayment of the loan by the Company and other revenues and receipts derived pursuant to the Agreement and the Promissory Note issued by the Company thereunder (the “*Note*”), a Mortgage and Security Agreement dated as of December 1, 2012, by and between the Company and the Issuer (the “*Mortgage*”), and is further secured by an assignment and pledge of the right, title and interest of the Issuer in and to the Agreement (except certain expense and indemnification payments), the Note and the Mortgage, all as more fully described in the Bond Ordinance. Reference is made to the Bond Ordinance for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer, the rights, duties and obligations of the owner of this Bond, and the terms on which this Bond is or may be issued and to all of the provisions of which the owner hereof by the acceptance of this Bond assents.

This Bond is issued pursuant to and in full compliance with the Constitution and the laws of the State of Illinois, and particularly an ordinance duly adopted by the City Council of the Issuer on April 2, 1979, as supplemented and amended (the “*Enabling Act*”). This Bond shall not be deemed to constitute an indebtedness of the Issuer, the State of Illinois or any political subdivision thereof, or a loan of credit or a charge against the general credit or taxing power of any of them, within the meaning of any constitutional or statutory provisions, but is a special, limited obligation of the Issuer, payable solely out of the revenues and receipts of the Issuer derived pursuant to the Agreement, the Note and the Mortgage. No Owner of this Bond shall have the right to compel any exercise of the taxing power of the Issuer, the State of Illinois or any political subdivision thereof, to pay this Bond or the interest or premium, if any, hereon, and this Bond does not constitute an indebtedness of the Issuer, the State of Illinois or any political

subdivision thereof or a loan of credit or a charge against the general credit or taxing powers of any of them, within the meaning of any constitutional or statutory provisions. Pursuant to the provisions of the Agreement, payments sufficient for the prompt payment when due of the principal installments of, premium, if any, and interest on this Bond are to be paid by the Company to the Owner on behalf of the Issuer, and all revenues and receipts accruing from the repayment of the loan by the Company under the Agreement, the Note and the Mortgage have been duly assigned and pledged to the Owner for that purpose, under the Bond Ordinance, to secure payment of the principal installments of, premium, if any, and interest on this Bond.

The principal installments of this Bond are subject to redemption prior to maturity at the option of the Issuer from any available funds, including funds derived from the prepayment of the principal installments of the Note (or a portion thereof) at the option of the Company pursuant to Section 7.1 of the Agreement or borrowed funds, on any date, as a whole, or in part in any order of maturity specified by the Issuer (or by the Company on its behalf), at a redemption price of 100% of the principal amount hereof being redeemed plus accrued interest to the date fixed for redemption.

The principal installments of this Note are subject to prepayment prior to maturity by the Issuer in the event that the Company is obligated to prepay the principal installments of the Note upon a Determination of Taxability (as defined in the Ordinance), in whole on any date within thirty (30) days after the occurrence of a Determination of Taxability at a prepayment price of 100% of the outstanding principal amount thereof, plus accrued interest thereon to the date fixed for prepayment, and without premium, all as provided in Section 7.2 of the Agreement.

Upon receipt by the Issuer and the Owner of at least ten (10) days' prior written notice from the Company, specifying a date for the prior redemption of the principal installments of this Bond (or portions thereof), the Owner shall, to the extent that amounts are or become available therefor, apply such amounts on behalf of the Issuer to the prior redemption of the principal installments of this Bond (or portions thereof) in accordance with the preceding paragraphs. The principal installments of this Bond (or portions thereof), if designated for prior redemption, will cease to bear interest on the specified redemption date, *provided* sufficient funds for their redemption have been paid to and collected by the Owner on behalf of the Issuer for such purpose on or before such date.

This Bond is transferable only as a whole by the registered owner hereof in person or by his attorney duly authorized in writing at the principal office of the Owner, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Ordinance, and upon surrender and cancellation of this Bond. Upon such transfer a substitute fully registered Bond of the same series, in the denomination of the unpaid principal amount hereof, with the same outstanding maturities and interest rate, will be issued by the Issuer to the transferee in exchange for this Bond. The Issuer and the Company may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes and neither the Issuer nor the Company shall be affected by any notice to the contrary.

In certain events, on the conditions, in the manner and with the effect set forth in the Bond Ordinance, the principal installments of this Bond may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

Modifications, alterations or amendments of the provisions of the Bond Ordinance may be made only to the extent and in the circumstances permitted by the Bond Ordinance.

The Issuer has designated this Bond as a qualified tax-exempt obligation for the purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This Bond is issued with the intent that the laws of the State of Illinois will govern its construction.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that the issuance of this Bond has been duly authorized by the Issuer and that all acts, conditions and things required by the Constitution and the laws of the State of Illinois, including particularly the Enabling Act, to happen, exist and be performed precedent to and in the issuance of this Bond have happened, exist and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the City of Rock Island, Rock Island County, Illinois, by its City Council, has caused this Bond to be signed on its behalf by its Mayor by his manual or facsimile signature, and attested by its City Clerk by her manual or facsimile signature, and the official seal of the Issuer to be affixed hereto, all as of this 28th day of December, 2012.

CITY OF ROCK ISLAND, ROCK ISLAND COUNTY,
ILLINOIS

By _____
Mayor

[SEAL]

ATTEST:

City Clerk

SCHEDULE A

ADVANCES

DATE	AMOUNT	AUTHORIZED OFFICIAL AND TITLE
_____	_____	_____
_____	_____	_____
_____	_____	_____

PRINCIPAL PAYMENTS

DATE	AMOUNT	AUTHORIZED OFFICIAL AND TITLE
_____	_____	_____
_____	_____	_____
_____	_____	_____

SCHEDULE B

MATURITY SCHEDULE

Date	Principal Amount	Interest Rate
01/15/2013	\$20,519.33	3.90%
02/15/2013	20,586.02	3.90%
03/15/2013	20,652.92	3.90%
04/15/2013	20,720.04	3.90%
05/15/2013	20,787.38	3.90%
06/15/2013	20,854.94	3.90%
07/15/2013	20,922.72	3.90%
08/15/2013	20,990.72	3.90%
09/15/2013	21,058.94	3.90%
10/15/2013	21,127.38	3.90%
11/15/2013	21,196.05	3.90%
12/15/2013	21,264.93	3.90%
01/15/2014	21,334.04	3.90%
02/15/2014	21,403.38	3.90%
03/15/2014	21,472.94	3.90%
04/15/2014	21,542.73	3.90%
05/15/2014	21,612.74	3.90%
06/15/2014	21,682.98	3.90%
07/15/2014	21,753.45	3.90%
08/15/2014	21,824.15	3.90%
09/15/2014	21,895.08	3.90%
10/15/2014	21,966.24	3.90%
11/15/2014	22,037.63	3.90%
12/15/2014	22,109.25	3.90%
01/15/2015	22,181.11	3.90%
02/15/2015	22,253.20	3.90%
03/15/2015	22,325.52	3.90%
04/15/2015	22,398.08	3.90%
05/15/2015	22,470.87	3.90%
06/15/2015	22,543.90	3.90%
07/15/2015	22,617.17	3.90%
08/15/2015	22,690.67	3.90%
09/15/2015	22,764.42	3.90%
10/15/2015	22,838.40	3.90%
11/15/2015	22,912.63	3.90%
12/15/2015	22,987.09	3.90%
01/15/2016	23,061.80	3.90%
02/15/2016	23,136.75	3.90%

Date	Principal Amount	Interest Rate
03/15/2016	23,211.95	3.90%
04/15/2016	23,287.39	3.90%
05/15/2016	23,363.07	3.90%
06/15/2016	23,439.00	3.90%
07/15/2016	23,515.18	3.90%
08/15/2016	23,591.60	3.90%
09/15/2016	23,668.27	3.90%
10/15/2016	23,745.20	3.90%
11/15/2016	23,822.37	3.90%
12/15/2016	23,899.79	3.90%
01/15/2017	23,977.46	3.90%
02/15/2017	24,055.39	3.90%
03/15/2017	24,133.57	3.90%
04/15/2017	24,212.01	3.90%
05/15/2017	24,290.69	3.90%
06/15/2017	24,369.64	3.90%
07/15/2017	24,448.84	3.90%
08/15/2017	24,528.30	3.90%
09/15/2017	24,608.02	3.90%
10/15/2017	24,687.99	3.90%
11/15/2017	24,768.23	3.90%
12/15/2017	24,848.72	3.90%
01/15/2018	33,123.21	3.90%
02/15/2018	33,230.86	3.90%
03/15/2018	33,338.87	3.90%
04/15/2018	33,447.22	3.90%
05/15/2018	33,555.92	3.90%
06/15/2018	33,664.98	3.90%
07/15/2018	33,774.40	3.90%
08/15/2018	33,884.16	3.90%
09/15/2018	33,994.28	3.90%
10/15/2018	34,104.76	3.90%
11/15/2018	34,215.60	3.90%
12/15/2018	34,326.81	3.90%
01/15/2019	34,438.36	3.90%
02/15/2019	34,550.29	3.90%
03/15/2019	34,662.58	3.90%
04/15/2019	34,775.24	3.90%
05/15/2019	34,888.25	3.90%
06/15/2019	35,001.64	3.90%
07/15/2019	35,115.39	3.90%
08/15/2019	35,229.52	3.90%
09/15/2019	35,344.02	3.90%

Date	Principal Amount	Interest Rate
10/15/2019	35,458.88	3.90%
11/15/2019	35,574.13	3.90%
12/15/2019	35,689.74	3.90%
01/15/2020	35,805.73	3.90%
02/15/2020	35,922.10	3.90%
03/15/2020	36,038.85	3.90%
04/15/2020	36,155.97	3.90%
05/15/2020	36,273.48	3.90%
06/15/2020	36,391.37	3.90%
07/15/2020	36,509.64	3.90%
08/15/2020	36,628.30	3.90%
09/15/2020	36,747.34	3.90%
10/15/2020	36,866.77	3.90%
11/15/2020	36,986.58	3.90%
12/15/2020	37,106.80	3.90%
01/15/2021	37,227.39	3.90%
02/15/2021	37,348.38	3.90%
03/15/2021	37,469.76	3.90%
04/15/2021	37,591.54	3.90%
05/15/2021	37,713.71	3.90%
06/15/2021	37,836.28	3.90%
07/15/2021	37,959.25	3.90%
08/15/2021	38,082.62	3.90%
09/15/2021	38,206.38	3.90%
10/15/2021	38,330.55	3.90%
11/15/2021	38,455.13	3.90%
12/15/2021	38,580.11	3.90%
01/15/2022	38,705.49	3.90%
02/15/2022	38,831.29	3.90%
03/15/2022	38,957.48	3.90%
04/15/2022	39,084.10	3.90%
05/15/2022	39,211.13	3.90%
06/15/2022	39,338.56	3.90%
07/15/2022	39,466.41	3.90%
08/15/2022	39,594.68	3.90%
09/15/2022	39,723.36	3.90%
10/15/2022	39,852.46	3.90%
11/15/2022	39,981.97	3.90%
12/15/2022	40,111.92	3.90%
01/15/2023	40,242.29	3.90%
02/15/2023	40,373.07	3.90%
03/15/2023	40,504.29	3.90%
04/15/2023	40,635.92	3.90%

Date	Principal Amount	Interest Rate
05/15/2023	40,767.99	3.90%
06/15/2023	40,900.49	3.90%
07/15/2023	41,033.41	3.90%
08/15/2023	41,166.77	3.90%
09/15/2023	41,300.56	3.90%
10/15/2023	41,434.79	3.90%
11/15/2023	41,569.45	3.90%
12/15/2023	41,704.55	3.90%
01/15/2024	41,840.09	3.90%
02/15/2024	41,976.08	3.90%
03/15/2024	42,112.49	3.90%
04/15/2024	42,249.36	3.90%
05/15/2024	42,386.67	3.90%
06/15/2024	42,524.42	3.90%
07/15/2024	42,662.63	3.90%
08/15/2024	42,801.29	3.90%
09/15/2024	42,940.39	3.90%
10/15/2024	43,079.94	3.90%
11/15/2024	43,219.96	3.90%
12/15/2024	43,360.42	3.90%
01/15/2025	43,501.34	3.90%
02/15/2025	43,642.72	3.90%
03/15/2025	43,784.56	3.90%
04/15/2025	43,926.87	3.90%
05/15/2025	44,069.62	3.90%
06/15/2025	44,212.85	3.90%
07/15/2025	44,356.54	3.90%
08/15/2025	44,500.70	3.90%
09/15/2025	44,645.32	3.90%
10/15/2025	44,790.43	3.90%
11/15/2025	44,936.00	3.90%
12/15/2025	45,081.97	3.90%
01/15/2026	37,013.47	3.90%
02/15/2026	37,133.76	3.90%
03/15/2026	37,254.45	3.90%
04/15/2026	37,375.52	3.90%
05/15/2026	37,496.99	3.90%
06/15/2026	37,618.86	3.90%
07/15/2026	37,741.12	3.90%
08/15/2026	37,863.77	3.90%
09/15/2026	37,986.83	3.90%
10/15/2026	38,110.29	3.90%
11/15/2026	38,234.15	3.90%

Date	Principal Amount	Interest Rate
12/15/2026	38,358.41	3.90%
01/15/2027	38,483.07	3.90%
02/15/2027	38,608.15	3.90%
03/15/2027	38,733.63	3.90%
04/15/2027	38,859.51	3.90%
05/15/2027	38,985.80	3.90%
06/15/2027	39,112.50	3.90%
07/15/2027	39,239.62	3.90%
08/15/2027	39,367.15	3.90%
09/15/2027	39,495.09	3.90%
10/15/2027	39,623.45	3.90%
11/15/2027	39,752.23	3.90%
12/15/2027	39,881.42	3.90%
01/15/2028	40,011.04	3.90%
02/15/2028	40,141.07	3.90%
03/15/2028	40,271.53	3.90%
04/15/2028	40,402.41	3.90%
05/15/2028	40,533.72	3.90%
06/15/2028	40,665.45	3.90%
07/15/2028	40,797.62	3.90%
08/15/2028	40,930.21	3.90%
09/15/2028	41,063.23	3.90%
10/15/2028	41,196.69	3.90%
11/15/2028	41,330.58	3.90%
12/15/2028	41,464.90	3.90%
01/15/2029	41,599.66	3.90%
02/15/2029	41,734.87	3.90%
03/15/2029	41,870.50	3.90%
04/15/2029	42,006.58	3.90%
05/15/2029	42,143.10	3.90%
06/15/2029	42,280.07	3.90%
07/15/2029	42,417.47	3.90%
08/15/2029	42,555.33	3.90%
09/15/2029	42,693.64	3.90%
10/15/2029	42,832.39	3.90%
11/15/2029	42,971.60	3.90%
12/15/2029	43,111.26	3.90%
01/15/2030	43,251.37	3.90%
02/15/2030	43,391.94	3.90%
03/15/2030	43,532.96	3.90%
04/15/2030	43,674.44	3.90%
05/15/2030	43,816.38	3.90%
06/15/2030	43,958.78	3.90%

Date	Principal Amount	Interest Rate
07/15/2030	44,101.65	3.90%
08/15/2030	44,244.98	3.90%
09/15/2030	44,388.78	3.90%
10/15/2030	44,533.05	3.90%
11/15/2030	44,677.78	3.90%
12/15/2030	44,822.98	3.90%
01/15/2031	44,968.65	3.90%
02/15/2031	45,114.80	3.90%
03/15/2031	45,261.42	3.90%
04/15/2031	45,408.52	3.90%
05/15/2031	45,556.10	3.90%
06/15/2031	45,704.16	3.90%
07/15/2031	45,852.69	3.90%
08/15/2031	46,001.72	3.90%
09/15/2031	46,151.22	3.90%
10/15/2031	46,301.21	3.90%
11/15/2031	46,451.70	3.90%
12/15/2031	46,602.66	3.90%
01/15/2032	46,754.12	3.90%
02/15/2032	46,906.07	3.90%
03/15/2032	47,058.51	3.90%
04/15/2032	47,211.45	3.90%
05/15/2032	47,364.89	3.90%
06/15/2032	47,518.83	3.90%
07/15/2032	47,673.27	3.90%
08/15/2032	47,828.20	3.90%
09/15/2032	47,983.65	3.90%
10/15/2032	48,139.60	3.90%
11/15/2032	48,296.05	3.90%
12/15/2032	48,452.76	3.90%

**APPLICATION OF PROCEEDS
OF BOND: ADVANCES**

Section 5. The proceeds ultimately received by the Issuer upon the sale of the Bond in the amount of \$8,650,000 (representing principal proceeds of \$8,650,000 and no accrued interest), shall be used from time to time to pay the cost of financing the Project and the refunding of the Prior Bonds. Such amount shall be advanced by the Owners from time to time as the purchase price of the Bond as written requisitions are received from the Company pursuant to Section 3.3 of the Agreement.

The Owner shall note on the Bond the date and amount of each such advance, and after the Project has been completed and a certificate of payment of all costs filed as provided in this Section 5, the Owner shall deliver copies of the record of such advances to the Issuer and the Company upon request.

The Owner shall keep and maintain adequate records pertaining to the advances and all requisitions, and after the Project has been completed and a certificate of payment of all costs filed as provided in this Section 5, the Owner shall deliver copies of such records to the Issuer and the Company upon request.

The completion of the Project and the payment of all costs and expenses incident thereto shall be evidenced by the filing with the Owner of a certificate of the Authorized Company Representative required by Section 3.4 of the Agreement.

**ACQUISITION, CONSTRUCTION AND INSTALLATION
OF PROJECT AND PAYMENT OF AMOUNTS UNDER THE AGREEMENT**

Section 6. It is the declared intention of the Issuer to authorize the disbursement of the proceeds of the Bond in order to refund the Prior Bonds and to finance the acquisition, construction and installation of the Project by the Company, pursuant to the Agreement in substantially the form which has been presented to and is hereby approved by the City Council of the Issuer.

The Agreement and the revenues and receipts thereof, including all moneys received under its terms and conditions and the Note therein authorized, are provided to be sufficient to pay the principal installments of, premium, if any, and interest on the Bond hereby authorized, and are hereby pledged and ordered paid to the Owner on behalf of the Issuer as specified in Section 7 of this Agreement. The Agreement provides that the Company shall remit the required payments in repayment of the loan under the terms and conditions of the Agreement directly to the Owner on behalf of the Issuer for application to the payment of the principal installments of, premium, if any, and interest on the Bond when due, and such provision is hereby expressly approved.

REVENUES

Section 7. The Bond and all payments required of the Issuer hereunder are not general obligations of the Issuer, but are special, limited obligations secured by an assignment and pledge of the right, title and interest of the Issuer in and to the Agreement (except certain expense and indemnification payments), the Note and the Mortgage, pursuant to the Assignment, and shall be payable by the Issuer solely and only out of the revenues and receipts derived from the Agreement, the Note and the Mortgage and as otherwise provided in this Ordinance.

The Owner is authorized and directed to apply all available moneys to the payment of the principal installments of, premium, if any, and interest on the Bond, as and when received, including without limitation the following moneys: (a) all payments made on the Note; (b) all prepayments of principal installments of the Note, the Mortgage (or a portion thereof) as specified in Article VII of the Agreement; and (c) all other moneys received by the Owner under and pursuant to any of the provisions of the Agreement, the Note or the Tax Agreement which are required or accompanied by directions that such moneys are to be applied to the payment of the principal installments of, premium, if any, and interest on the Bond. The Owner is hereby authorized and directed to apply amounts available therefor to the payment when due of the principal installments of, premium, if any, and interest on the Bond or to redeem the principal installments of the Bond (or a portion thereof) prior to maturity as provided in this Ordinance.

The Issuer covenants and agrees that should there be a default under the Agreement, the Issuer shall fully cooperate with the Owner of the Bond to the end of fully protecting the rights and security of the Owner of the Bond. Nothing herein shall be construed as requiring the Issuer to operate the Project or to use any funds or revenues from any source other than funds and revenues derived from the Agreement, the Note and the Mortgage.

Any amounts remaining in any fund or paid to the Owner on behalf of the Issuer under the Agreement, the Note, the Mortgage, the Assignment or the Tax Agreement, after payment in full of the principal installments of, premium, if any, and interest on the Bond and after payment of full of the charges and expenses of the Owner, shall be paid to the Company, as provided herein and in Section 9.5 of the Agreement, except as otherwise provided herein or in the Agreement, the Note, the Mortgage, the Assignment or the Tax Agreement.

ASSIGNMENT AND MORTGAGE

Section 8. As security for the due and punctual payment of the principal installments of, premium, if any, and interest on the Bond hereby authorized, the Issuer hereby assigns and pledges to the Owner all revenues and receipts derived by the Issuer pursuant to the Agreement, the Note and the Mortgage and all right, title and interest of the Issuer in and to the Agreement (except any payment made pursuant to Section 4.2(b) of the Agreement, relating to the obligation of the Company to pay reasonable and necessary expenses of the Issuer, Section 5.3 of the Agreement, relating to indemnification of the Issuer by the Company, and Section 6.3 of the Agreement, relating to the obligation of the Company to pay attorneys' fees and expenses and certain other fees and expenses incurred by the Issuer upon a default thereunder), the Note and the Mortgage, and all rights and remedies of the Issuer to enforce payment thereof, and as

evidence of such assignment, pledge and security interest and of the agreement of the Owner, to accept its responsibilities as Bond registrar, and to accept any other duty imposed upon the Owner by this Ordinance or the Agreement, the Assignment in substantially the form which has been presented to the City Council of the Issuer is hereby approved.

ARBITRAGE

Section 9. With respect to Section 148 of the Code, the Company has made certain covenants with the Issuer in Section 3.6 of the Agreement, and the Issuer and the Company will make certain certifications and representations with respect to Section 148 of the Code in the Tax Agreement, and the Issuer, acting in reliance on such covenants, certifications and representations, hereby covenants with the Owner and any other owner of the Bond that so long as any principal installment of, premium, if any, or interest on the Bond remains unpaid, the Issuer will comply with the provisions of the Tax Agreement, and will not take or authorize the taking of any action which will cause the Bond to be classified as an “arbitrage bond,” within the meaning of Section 148 of the Code and that it will comply with all applicable requirements of Section 103 and Section 141-150 of the Code.

GENERAL COVENANTS

Section 10. The Issuer covenants that it will promptly cause to be paid solely and only from the source mentioned in the Bond, the principal installments of, premium, if any, and interest on the Bond hereby authorized at the place, on the dates and in the manner provided herein and in the Bond according to the true intent and meaning hereof and thereof. The Bond and the obligation to pay interest thereon are special, limited obligations of the Issuer, secured by the Agreement, the Note of the Company, the Mortgage and the Assignment, and payable as set out in Section 3 of this Ordinance.

The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Ordinance, the Bond, the Agreement, the Mortgage, the Assignment and the Tax Agreement, and in all proceedings of the City Council of the Issuer pertaining thereto. The Issuer represents that it is duly authorized under the Constitution and the laws of the State of Illinois, including particularly and without limitation the Enabling Act, to issue the Bond authorized hereby and to assign and pledge the revenues and receipts hereby assigned and pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bond has been or will, before delivery of the Bond, have been duly and effectively taken; and that the Bond, when issued and delivered to the Owner, will be a valid and enforceable special, limited obligation of the Issuer according to the true intent and meaning thereof.

The Issuer covenants that it will execute, acknowledge and deliver such instruments, financing statements and other documents as the Owner may reasonably require for the better assuring, granting, pledging and assigning unto the Owner the right, title and interest of the Issuer in and to the Agreement (except certain expense and indemnification payments), the Note and the Mortgage, as well as the rights of the Issuer in and to the required payments of revenues

and receipts pursuant to Section 4.2(a) of the Agreement, the Note and the Mortgage hereby assigned and pledged to the payment of the principal installments of, premium, if any, and interest on the Bond. The Issuer covenants and agrees that, except as herein and in the Agreement provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the revenues and receipts derived from the Agreement, the Note and the Mortgage, or of its right, title and interest in and to the Agreement, the Note and the Mortgage.

The Issuer covenants and agrees that all books and documents in its possession relating to the Project and the payments on the Note and under the Agreement shall at all reasonable times be open to inspection by the Owner or such accountants or other agencies as the Owner may from time to time designate.

EVENTS OF DEFAULT AND REMEDIES

Section 11. If any of the following events occurs it is hereby defined as and declared to be and to constitute an “event of default” hereunder:

- (a) Default in the due and punctual payment of any interest on the Bond.
- (b) Default in the due and punctual payment of any principal installment of or premium, if any, on the Bond, whether at the stated maturity thereof or upon call for prior redemption or proceedings for the acceleration thereof.
- (c) An “Event of Default” shall have occurred under the Agreement.

Upon the occurrence of an event of default hereunder, the Owner, by notice in writing delivered to the Company and the Issuer, may declare the principal of the Bond and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any such declaration all payments under the Agreement and the Note from the Company shall become immediately due and payable as provided in Section 6.2 of the Agreement.

While any principal installment of, premium, if any, or interest on the Bond remains unpaid, the Issuer shall not exercise any of the remedies available upon an “Event of Default” specified in Section 6.2 of the Agreement without first obtaining the prior written consent of the Owner, at its sole discretion.

Upon the occurrence of an event of default hereunder, the Owner may exercise such rights as exist under the Agreement, the Note, the Mortgage, the Assignment or this Ordinance, and may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bond and to enforce and compel the performance of the duties and obligations of the Company as herein and in the Agreement, the Note and the Mortgage set forth. The Owner shall have all the rights, options and remedies of a secured party under the Illinois Uniform Commercial Code.

No remedy by the terms of this Ordinance conferred upon or reserved to the Owner is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative, and shall be in addition to any other remedy given to the Owner hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right, power or remedy accruing upon any event of default hereunder shall impair any such right, power or remedy or shall be construed to be a waiver of any such event of default hereunder or acquiescence therein; and every such right, power or remedy may be exercised from time to time as often as may be deemed expedient.

All moneys received pursuant to any right given or action taken under the provisions of this Section 11 or under the provisions of Article VI of the Agreement (after payments of the costs and expenses of the proceedings resulting in the collection of such moneys, and of the expenses, liabilities and advances incurred or made by the Issuer or the Owner), under the Mortgage or under the Assignment, and any funds held by the Owner at the time of the occurrence of an event of default hereunder shall be applied by the Owner to the payment of the principal installments, premium, if any, and interest due and unpaid upon the Bond to the person entitled thereto. Whenever moneys are to be applied pursuant to the provisions of this Section 11, such moneys shall be applied to the payment of the principal of, premium, if any, or interest on the Bond within five (5) business days after receipt of such moneys.

Whenever all principal of, premium, if any, and interest on the Bond have been paid under the provisions of this Section 11 and all expenses of the Owner and the Issuer have been paid, any balance of any such moneys paid to the Owner on behalf of the Issuer and remaining shall be paid to the Company, pursuant to Section 9.5 of the Agreement.

The Owner may in its discretion waive any event of default hereunder and its consequences and rescind any declaration of acceleration of principal, and in cases of any such waiver or rescission, or in case any proceeding taken by the Owner on account of any such event of default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Company and the Owner shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other event of default hereunder, or impair any right consequent thereon.

With regard to any default concerning which notice is given to the Company under the provisions of this Section 11, the Issuer hereby grants the Company full authority for the account of the Issuer to perform or observe any covenant or obligation alleged in said notice not to have been performed or observed, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do in order to remedy such default.

SALE OF THE BOND: EXECUTION OF DOCUMENTS

Section 12. (a) The sale of the Bond hereby authorized to the Owner at a price of 100% of the principal amount thereof and no accrued interest, and payment of such purchase price in immediately available funds to the owner of the Prior Bonds in the amount of \$4,160,300 and to be advanced from time to time as provided herein to pay the costs of the Project in the amount of

\$4,489,700, as provided in Section 3.2 of the Agreement and Section 5 hereof, is hereby in all respects authorized, approved and confirmed.

(b) The Agreement, the Mortgage, the Assignment and the Tax Agreement in substantially the forms in which the same have been presented to the City Council of the Issuer are hereby approved by such City Council, and are in all respects authorized, approved and confirmed.

The Mayor of the Issuer is hereby authorized, empowered and directed to execute the Agreement, the Mortgage, the Assignment and the Tax Agreement for and on behalf of the Issuer, and the City Clerk of the Issuer is hereby authorized, empowered and directed to attest and to affix the official seal of the Issuer to the Agreement, the Mortgage, the Assignment and the Tax Agreement, and the Mayor and the City Clerk are hereby authorized, empowered and directed to deliver the Agreement, the Mortgage, the Assignment and the Tax Agreement, such Agreement, such Mortgage, such Assignment and such Tax Agreement to be in substantially the same forms as presented to and approved by the City Council of the Issuer, or with such changes therein as shall be approved by the officers of the Issuer executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein from the form of Agreement, Mortgage, Assignment and Tax Agreement presented to and approved by the City Council of the Issuer.

PERFORMANCE PROVISIONS

Section 13. The Mayor and the City Clerk for and on behalf of the Issuer be, and each of them hereby is, authorized, empowered and directed to do any and all things necessary to effect the performance of all obligations of the Issuer under and pursuant to this Ordinance, the advancement of the loan, the execution and delivery of the Bond and the performance of all other acts of whatever nature necessary to effect and carry out the authority conferred by this Ordinance. The Mayor and the City Clerk of the Issuer be, and they are hereby, further authorized, empowered and directed for and on behalf of the Issuer, to execute all papers, documents, certificates and other instruments that may be required for the carrying out of the authority conferred by this Ordinance or to evidence said authority and to exercise and otherwise take all necessary action to the full realization of the rights, accomplishments and purposes of the Issuer under the Agreement, the Mortgage, the Assignment and the Tax Agreement, and to discharge all of the obligations of the Issuer thereunder.

NOTICES

Section 14. All notices, certificates or other communications shall be sufficiently given and shall be deemed given when the same are (i) mailed by first class mail, postage prepaid, or (ii) delivered, or (iii) sent by facsimile transmission (receipt confirmed by telephone) in each case to the parties at the following addresses or such other address as a party may designate by notice to the other parties: if to the Issuer, at 1528 Third Street, Rock Island, Illinois 61201, Attention: City Clerk; if to the Owner, at 38th Street and Blackhawk Road, Rock Island, Illinois

61201, Attention: Pamela A. Sharar-Stoppel; and if to the Company, at 1209—21st Avenue, Rock Island, Illinois 61201, Attention: Chief Financial Officer.

**ORDINANCE A CONTRACT; PROVISIONS FOR
MODIFICATIONS, ALTERATIONS AND AMENDMENTS**

Section 15. The provisions of this Ordinance shall constitute a contract between the Issuer and the Owner of the Bond hereby authorized; and after the issuance of the Bond, no modification, alteration, amendment or supplement to the provisions of this Ordinance shall be made in any manner, except with the written consent of the Owner of the Bond, at its sole discretion, until such time as all principal of, premium, if any, and interest on the Bond shall have been paid in full. Such modification, alteration, amendment, supplement or written consent shall not be effective unless such modification, alteration, amendment, supplement or consent shall specifically state that it is being made pursuant to this Section 15.

SATISFACTION AND DISCHARGE

Section 16. Unless otherwise provided, all rights and obligations of the Issuer and the Company under the Bond, this Ordinance, the Agreement, the Note, the Mortgage, the Assignment and the Tax Agreement shall terminate and such instruments shall cease to be of further effect, and the Owner of the Bond shall surrender the Bond, cancel the Bond, deliver the cancelled Bond to the Issuer, deliver a copy of the cancelled Bond to the Company, and assign and deliver to the Company any moneys required to be paid to the Company under Section 7 hereof (except moneys held by the Owner for the payment of the principal of, premium, if any, or interest on the Bond and certain moneys held in the Rebate Fund created under the Tax Agreement) when:

- (a) all expenses of the Issuer and the Owner shall have been paid;
- (b) the Issuer and the Company shall have performed all of their covenants, promises and obligations in the Bond, this Ordinance, the Agreement, the Mortgage, the Assignment and the Tax Agreement; and
- (c) all principal of, premium, if any, and interest on the Bond have been paid.

All representations, certifications and covenants by the Issuer as to all matters affecting the tax-exempt status of the interest on the Bond shall survive the satisfaction and discharge of this Ordinance.

CONFIRMATION OF ACTS

Section 17. That all acts of the trustees, officers, agents and employees of the Issuer, which are in conformity with the intent and purposes of this Ordinance, whether heretofore or hereafter taken or done, be, and the same are hereby, in all respects, ratified, confirmed and approved.

PUBLIC HEARING AND PUBLIC APPROVAL

Section 18. That the action of the Issuer in publishing said notice of public hearing as required by Section 147(f) of the Code, which notice is hereby incorporated herein by reference, is in all respects hereby ratified, confirmed and approved; that the holding of such public hearing is hereby acknowledged; and that the proposed plan of financing of the Project and the Prior Project and the refunding of the Prior Bonds through the issuance of the Bond is hereby approved, as required by Section 147(f) of the Code.

BANK QUALIFICATION DESIGNATION

Section 19. That the Issuer hereby deems \$4,160,300 principal amount of the Bond (relating to the refunding) to be designated, and hereby designates \$4,489,700 principal amount of the Bond, as a “qualified tax-exempt obligation” under Section 265(b) of the Code.

SEVERABILITY

Section 20. If any section, paragraph, clause or provision of this Ordinance shall be ruled by any court of competent jurisdiction to be invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining sections, paragraphs, clauses or provisions of this Ordinance.

CAPTIONS

Section 21. The captions or headings of this Ordinance are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Ordinance.

PROVISIONS IN CONFLICT SUPERSEDED

Section 22. All ordinances, resolutions and orders, or parts thereof, including without limitation the Enabling Act, in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby superseded, and this Ordinance shall be made available to the public by the City Clerk of the Issuer in appropriate form, upon request, at the office of the City Clerk, in Rock Island, Illinois. Copies are to be made available in the office of the City Clerk for public inspection and distribution to members of the public who may wish to avail themselves of a copy of this Ordinance. This Ordinance shall be in full force and effect upon its adoption and approval as provided by law.

Presented, passed, approved and recorded by the City Council of the City of Rock Island, Illinois, this 17th day of December, 2012.

Mayor

[SEAL]

ATTEST:

City Clerk

AYES:

NAYS:

ABSENT OR NOT VOTING:

After discussion of the City Council, including a public recital of the nature of the matter being considered and such other information as would inform the public of the business being conducted, City Council member _____ moved its adoption, seconded by City Council member _____, and upon the roll being called the following voted "Aye": _____
_____.

The following voted "Nay": _____.

The following were absent or not voting: _____.

The Mayor of the Issuer declared the Ordinance adopted.

* * *

(Other Business)

Upon motion duly made, seconded and carried, the meeting of the City Council of the City of Rock Island, Rock Island County, Illinois, was adjourned.

[SEAL]

/s/ Aleisha Patchin

City Clerk

STATE OF ILLINOIS)
)
COUNTY OF KANE)

CERTIFICATE OF MINUTES

I, Aleisha Patchin, do hereby certify that I am the duly qualified and acting City Clerk of the City of Rock Island, Rock Island County, Illinois, and that as such official I am the keeper of the records and files of the City Council and of said City.

I do further certify that the foregoing is a full, true, correct and complete transcript of that portion of the minutes of the meeting of said City Council held on the 17th day of December, 2012, insofar as same relates to the adoption of an ordinance entitled:

AN ORDINANCE PROVIDING FOR THE FINANCING BY THE CITY OF ROCK ISLAND, ROCK ISLAND COUNTY, ILLINOIS, OF A PROJECT AND THE REFUNDING OF CERTAIN OUTSTANDING BONDS OF SAID CITY; AUTHORIZING THE ISSUANCE OF A RETIREMENT FACILITY REVENUE BOND, SERIES 2012 (FRIENDSHIP MANOR, INC. PROJECT) IN THE PRINCIPAL AMOUNT OF \$8,650,000 AND CONFIRMING THE SALE THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT, A MORTGAGE AND SECURITY AGREEMENT, AN ASSIGNMENT AND AGREEMENT, A TAX EXEMPTION CERTIFICATE AND AGREEMENT AND RELATED DOCUMENTS; AND RELATED MATTERS.

a true, correct and complete copy of which said ordinance as adopted at said meeting appears in the foregoing transcript of the minutes of said meeting.

I do further certify that the deliberations of said City Council on the adoption of said ordinance were conducted openly; that the vote on the adoption of said ordinance was taken openly; that said meeting was held at a specified time and place convenient to the public; that notice of said meeting was duly given to all news media requesting such notice; that an agenda for said meeting was posted at the location where said meeting was held and at the principal office of said City Council at least forty-eight (48) hours in advance of the holding of said meeting on a day other than a Saturday, a Sunday or a legal holiday for municipalities in the State of Illinois; that said meeting was called and held in strict compliance with the provisions of the Municipal Code of the State of Illinois, as supplemented and amended, and the Open Meetings Act of the State of Illinois, as supplemented and amended, and that said City Council has complied with all of the applicable provisions of said Municipal Code and said Act and with all of the procedural rules of said City Council.

IN WITNESS WHEREOF, I hereunto affix my official signature and the seal of said City,
this 28th day of December, 2012.

City Clerk of the City of Rock Island, Rock
Island County, Illinois

[Seal]