ORDINANCE NO. 87-32

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF $1,100,000 FLOATING/FIXED RATE ECONOMIC DEVELOPMENT REFUNDING REVENUE BONDS (THE KROGER CO. PROJECT) FOR THE PURPOSE OF MAKING A LOAN TO ASSIST THE KROGER CO. IN THE REFUNDING OF THE PROJECT BONDS, AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT AND A PURCHASE AGREEMENT PERTAINING TO THE BONDS AND OF A TRUST INDENTURE SECURING THE PAYMENT OF THE BONDS AND SUCH OTHER DOCUMENTS AND INSTRUMENTS AS ARE NECESSARY OR APPROPRIATE IN CONNECTION WITH THE ISSUANCE OF SUCH BONDS.

WHEREAS, the City of Bloomington, Indiana (the "Issuer"), a municipal corporation and political subdivision duly organized and validly existing under the laws of the State of Indiana, is authorized and empowered, by virtue of the laws of the State of Indiana, including without limitation Title 36, Article 7, Chapters 11.9 and 12 and Title 5, Article 1, Chapter 5 of the Indiana Code, (a) to issue its revenue bonds for the purpose of making a loan to assist in the financing of costs of acquiring and equipping commercial facilities, comprising "economic development facilities" , as defined in the Act, located within the boundaries of the Issuer, (b) to issue its revenue bonds to refund the Project Bonds, (c) to enter into a financing agreement, as defined in the Act, and to provide for "revenues", sufficient to pay the principal of and interest and any premium on those revenue bonds, (d) to secure those revenue bonds by a trust indenture, as provided herein, and (e) to enact this Bond Legislation and to enter into the Indenture and the Agreement, all as defined herein, upon the terms and conditions provided herein and therein; and

WHEREAS, following the completion of proper procedures under the Act, the Bloomington Economic Development Commission (the "Commission"), has previously, by resolution adopted March 25, 1982, found and determined that the financing of the Project comprising an "economic development facility" within the meaning of the Act as it was in effect at the time of the issuance of the Project Bonds was in compliance with the purposes and provisions of the Act, and that the financing of the Project would be of benefit to the health and welfare of the Issuer and the citizens thereof;

NOW THEREFORE, BE IT ORDAINED by the Common Council of the City of Bloomington, Indiana:

Section 1. Definitions. In addition to the words and terms defined elsewhere in this Bond Legislation, unless the context or use clearly indicates another meaning or intent:

"Act" means Title 36, Article 7, Chapters 11.9 and 12 of the Indiana Code, as enacted and amended from time to time, which incorporates by reference Title 5, Article 1, Chapter 5 of the Indiana Code, as enacted and amended from time to time.

"Agreement" means the Loan Agreement, dated as of even date with the Indenture, between the Issuer and the Company, as amended or supplemented from time to time.

"Authorized Company Representative" means the person at the time designated pursuant to the Agreement to act on behalf of the Company.

"Bond Fund" means the Bond Fund created in Section 5.03 of the Indenture.

"Bond Legislation" means this ordinance providing for the issuance of the Bonds and approving the Agreement, the Indenture and related matters.

"Bond service charges" means, for any period or payable at any time, the principal of and interest and any premium on the Bonds for that period or payable at that time whether due at maturity or upon acceleration or redemption.

"Bonds" means the Refunding Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of the Code, and all applicable regulations thereunder whether proposed, temporary or final, including regulations issued and proposed pursuant to the statutory predecessor of the Code, and, in addition, all official rulings and judicial determinations under the foregoing applicable to the Bonds.

"Company" means The Kroger Co., a corporation duly organized and existing under the laws of the State of Ohio and qualified to transact business in the State, and its lawful successors and assigns, to the extent permitted by the Agreement.

"Executive" means the Mayor of the Issuer.

"Fiscal Officer" means the Clerk of the Issuer.

"Holder" or "Holder of a Bond" means the person in whose name a Bond is registered on the Bond Register for which provision is made in Section 3.06 of the Indenture.

"Indenture" means the Trust Indenture, dated as of July 1, 1987, between the Issuer and the Trustee, as amended or supplemented from time to time.

"Interest Payment Date" means, as to the Refunding Bonds, each date set forth as such in the form of Refunding Bond attached as Exhibit A hereto.

"Issuer" means the City of Bloomington, Indiana.

"Legal Officer" means the City Attorney of the Issuer.

"Legislative Authority" means the Common Council of the Issuer.

"Loan" means the loan by the Issuer to the Company of the proceeds received from the sale of the Bonds.

"Loan Payments" means the amounts required to be paid by the Company in repayment of the Loan pursuant to the provisions of the Note and Section 4.1 of the Agreement.

"Note" means the Refunding Note.

"Original Purchaser" means, as to the Refunding Bonds, the Person or Persons identified as the purchaser or purchasers in the Purchase Agreement.

"Person" or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Project" means those items of fixtures, equipment and related property at the time constituting the Project as defined in the Agreement and comprising "economic development facilities" as defined in the Act.

"Project Bonds" means the $1,100,000 Economic Development Revenue Bonds, Series 1982 (The Kroger Co. Project) of the Issuer, dated as of April 1, 1982.

"Purchase Agreement" means the Bond Purchase Agreement dated the date of passage of this Bond Legislation, among the Issuer, the Original Purchaser and the Company.

"Refunding Bonds" means the $1,100,000 Floating/Fixed Rate Economic Development Refunding Revenue Bonds (The Kroger Co. Project) authorized in Section 3 hereof and Section 2.02 of the Indenture.

"Refunding Fund" means the Refunding Fund created in Section 5.01 of the Indenture.

"Refunding Note" means the nonnegotiable promissory note of the Company, dated as of even date with the Refunding Bonds, initially issued in the form attached to the Agreement as Exhibit A and in the principal amount of $1,100,000 evidencing the obligation of the Company to make Loan Payments.

"Revenues" means (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer or the Trustee in respect of repayment of the Bonds, including without limitation, moneys and investments in the Bond Fund, and (c) all income and profit from the investment of the foregoing moneys. The term "Revenues" does not include any moneys or investments in the Rebate Fund (as defined in the Indenture) or the Refunding Fund.

"State" means the State of Indiana.

"Supplemental Indenture" means any indenture supplemental to the Indenture entered into between the Issuer and the Trustee in accordance with Article VIII of the Indenture.

"Trustee" means The Indiana National Bank, Indianapolis, Indiana, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean the successor Trustee.

Any reference herein to the Issuer, to the Legislative Authority, or to any member or officer of either, includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Indiana Code, or to any statute of the United States of America includes that section, provision, chapter or statute as amended, modified, revised, supplemented or superseded from time to time; provided, that no such amendment, modification, revision, supplement or superseding section, provision, chapter or statute shall be applicable solely by reason of this provision if it constitutes in any way an impairment of the rights or obligations of the Issuer, the Holders, the Trustee or the Company under this Bond Legislation, the Indenture, the Purchase Agreement, the Refunding Bonds, the Agreement, the Note or any other instrument or document entered into in connection with any of the foregoing, including, without limitation, any alteration of the obligation to pay the Bond service charges in the amount and manner, at the times and from the sources provided in this Bond Legislation, the Indenture and the Agreement, except as permitted herein or therein.

Unless the context indicates otherwise, words importing the singular number shall include the plural number and vice versa. The terms "hereof", "hereby", "herein", "hereto", "hereunder" and similar terms refer to this Bond Legislation; and the term "hereafter" means after, and the term "heretofore" means before, the effective date of this Bond Legislation. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

The captions and headings in this Bond Legislation are solely for convenience of reference and in no way define, limit or describe the scope or intent of any provisions or Sections of this Bond Legislation.

Section 2. Determinations by Legislative Authority. This Legislative Authority finds and determines that (i) the Project constituted "economic development facilities" as defined in the Act at the time of the issuance of the Project Bonds and is consistent with the purposes of the Act as currently in effect; (ii) the "financing", as defined in the Act, of the Project was approved by the Bloomington Economic Development Commission by a resolution adopted pursuant to the Act on March 25, 1982; (iii) the provision of the Loan to finance costs of refunding the Project Bonds will require the issuance, sale and delivery of Refunding Bonds in the principal amount of $1,100,000 which shall be payable and secured as provided herein, in the Indenture and in

the Agreement; and (iv) the issuance of the Refunding Bonds complies with the Act, is in furtherance of the purposes of the Act and will be of benefit to the health and general welfare of the Issuer by maintaining jobs and employment opportunities and improving the economic welfare of the people of the Issuer. The Legislative Authority also determines that, following reasonable notice, and prior to the adoption of this Bond Legislation, a public hearing was held with respect to the issuance of the Refunding Bonds as required by Section 147(f) of the Code.

Section 3. Authorization of Refunding Bonds. This Legislative Authority determines it to be necessary to, and the Issuer shall, issue, sell and deliver, as provided and authorized herein and in the Indenture and pursuant to the authority of the Act, $1,100,000 principal amount of Refunding Bonds for the purpose of making the Loan to assist the Company in refunding the Project Bonds in order to reduce the interest cost payable by the Company. The Refunding Bonds shall be designated "Floating/Fixed Rate Economic Development Refunding Revenue Bonds (The Kroger Co. Project)".

Section 4. Terms and Provisions of Refunding Bonds.

(a) Generally. The Refunding Bonds (i) shall be issued, unless a Supplemental Indenture shall have been executed and delivered pursuant to Section 8.02(h) of the Indenture, only in fully registered form, substantially as set forth in Exhibit A hereto, which is incorporated by reference herein and made a part hereof as fully as if set forth in full herein; (ii) shall be exchangeable for Refunding Bonds of authorized denominations, as provided in the Indenture; (iii) shall be numbered in such manner as to distinguish each Refunding Bond from any other Refunding Bond; (iv) shall be in the denominations of $100,000 and any multiple of $5,000 in excess of $100,000; but not to exceed the principal amount of Refunding Bonds maturing on any one date; (v) shall be subject to optional and mandatory redemption in the amounts, upon the conditions, and at the times and prices set forth in the Indenture and Exhibit A hereto; and (vi) shall be dated as of July 1, 1987. Each Refunding Bond shall bear interest, in accordance with the Indenture, from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from the date of their original delivery to the Original Purchaser.

(b) Interest Rate and Principal Maturities. The Refunding Bonds shall bear interest at the rate or rates determined as set forth in Exhibit A hereto and as provided for in the Indenture, payable on each Interest Payment Date and shall mature on April 1, 1992.

Principal of and interest and any premium on the Refunding Bonds shall be payable as provided in Exhibit A hereto, in each instance, without deduction for the services of any paying agent.

(c) Execution. The Refunding Bonds shall be signed by the Executive and the Fiscal Officer in their official capacities (provided that either or both of such signatures may be a facsimile) and shall have a facsimile of the corporate seal of the Issuer printed thereon.

The provisions of the Indenture to which reference is made herein are hereby incorporated by reference herein and made a part hereof as fully as if set forth in full herein.

Section 5. Sale of Refunding Bonds. The Refunding Bonds are sold and awarded to the Original Purchaser, in accordance with the Purchase Agreement, at the purchase price stated in the Purchase Agreement.

The Issuer has not confirmed, and makes no representation about and assumes no responsibility for, the accuracy or completeness of any information contained in a Limited Offering Memorandum, a copy of which has been supplied to it by the Original Purchaser.

The Executive, the Fiscal Officer or any other officer of the Issuer shall make the necessary arrangements with the Original Purchaser to establish the date, location, procedure and conditions for the delivery of the Refunding Bonds to the Original Purchaser and to take all steps necessary to effect due execution, authentication and delivery to the Original Purchaser of the Refunding Bonds under the terms of this Bond Legislation, the Indenture and the Purchase Agreement.

It is determined by the Legislative Authority that the price for and the terms of the Refunding Bonds, and the sale thereof, all as provided in this Bond Legislation, the Purchase Agreement and the Indenture, are in the best interests of the Issuer and are in compliance with all legal requirements.

Section 6. Allocation of Proceeds of Refunding Bonds. The proceeds from the sale of the Refunding Bonds shall be allocated, deposited and credited to the Refunding Fund created by the Indenture and applied to the redemption of the Project Bonds which shall be called for redemption, in accordance with the request of the Company, on October 1, 1987.

Section 7. Security for the Bonds. To the extent provided in, and except as otherwise permitted under the Indenture, the Bonds shall be limited obligations of the Issuer and shall be equally and ratably payable solely from the Revenues and shall be secured by an assignment of the Revenues and by the Indenture. The Bonds also shall be secured by the Note given by the Company to the Trustee pursuant to the Agreement.

Anything in the Bond Legislation, the Refunding Bonds or the Indenture to the contrary notwithstanding, neither this Bond Legislation, the Refunding Bonds nor the Agreement shall constitute a debt or pledge of the faith and credit of the Issuer or in any respect a general obligation of the Issuer, nor are they payable in any manner from revenues raised by taxation, and the Bonds shall contain a statement to that effect and to the effect that the Bonds are payable solely from the Revenues. Nothing herein or in the Indenture, however, shall be deemed to prohibit the Issuer, of its own volition, from using to the extent that it is authorized by law to do so, any other resources for the fulfillment of any of the terms, conditions or obligations of the Indenture, the Bond Legislation or any of the Refunding Bonds.

Section 8. Federal Tax Election. This Legislative Authority hereby elects to have the $10 million limitation specified in Section 144(a)(4) of the Code applied to the Refunding Bonds.

Section 9. Covenants and Agreements of Issuer. In addition to the other covenants and agreements of the Issuer in this Bond Legislation and the Indenture, the Issuer covenants and agrees that:

(a) Arbitrage Provisions and Issuer Information Return. The Issuer covenants that it will restrict the use of the proceeds of the Refunding Bonds in such manner and to such extent as may be necessary so that the Refunding Bonds will not constitute arbitrage bonds under Section 148 of the Code.

The Fiscal Officer, or any other officer of the Issuer having responsibility for the issuance of the Refunding Bonds, alone or in conjunction with the Company or any officer, employee, agent of or consultant to the Company shall give:

(i) an appropriate certificate of the Issuer for inclusion in the transcript of proceedings for the Refunding Bonds, setting forth the reasonable expectations of the Issuer regarding the amount and use of all of the proceeds of the Refunding Bonds, the facts, estimates and circumstances on which those expectations are based, and other facts and circumstances relevant to the tax treatment of interest on the Refunding Bonds, as provided by the Company, all as of the date of delivery of and payment for the Refunding Bonds; and

(ii) the statement setting forth the information required by Section 149(e) of the Code, which shall be based on the relevant information provided by the Company.

The Issuer covenants that it (i) will take, or require to be taken, all actions that may be required of it for the interest on the Refunding Bonds to be and remain excluded from gross income for federal income tax purposes, and (ii) will not take or authorize to be taken any actions that would adversely affect that exclusion under the provisions of the Code. The Fiscal Officer and other appropriate officers are hereby authorized and directed to take any and all actions and make or give reports and certifications, as may be appropriate to assure such exclusion of that interest.

(b) Transcript of Proceedings. The Fiscal Officer will furnish to the Original Purchaser a true transcript of proceedings, certified by the Fiscal Officer or his authorized delegee, of (i) all proceedings had with reference to the issuance of the Refunding Bonds and (ii) any other information from the records of the Issuer which may be necessary or appropriate to determine the regularity and validity of the issuance of the Refunding Bonds.

Section 10. Indenture, Agreement and Purchase Agreement; Approval of Financing. To provide for the issuance and sale of the Refunding Bonds and the consummation of the transactions contemplated therein, the Executive and

Fiscal Officer, as appropriate, are authorized and directed for and in the name and on behalf of the Issuer, to execute, acknowledge and deliver the Indenture, the Agreement and the Purchase Agreement in substantially the forms submitted to this Legislative Authority. Those instruments collectively are hereby determined by the Issuer to be a "financing agreement" (the "Financing Agreement"), as defined in the Act, and are approved with changes therein not inconsistent with this Bond Legislation and not substantially adverse to the Issuer and which are permitted by the Act and shall be approved by the officers executing the same on behalf of the Issuer. The approval of such changes by those officers, and their character as not being substantially adverse to the Issuer, shall be evidenced conclusively by their execution of those instruments.

Section 11. Other Documents. The Executive and the Fiscal Officer, as appropriate, are authorized and directed to execute any certifications, financing statements, assignments, notices and instruments which are necessary or appropriate to perfect the assignments set forth in the Indenture and to consummate the transactions contemplated by this Bond Legislation, the Indenture, the Agreement and the Purchase Agreement.

Section 12. Irrepealable. After the Refunding Bonds are issued, this Bond Legislation shall constitute an irrevocable contract between the Issuer and the Holders of the Refunding Bonds, and shall be and remain irrepealable until the Refunding Bonds, including both principal and interest, shall be fully paid, cancelled and discharged.

Section 13. Ratification. All action heretofore taken by the Issuer and by the officers thereof not inconsistent herewith directed toward the financing of the Project and the issuance and sale of the Refunding Bonds is hereby ratified, approved and confirmed.

Section 14. Repealer. All acts, orders, resolutions, or parts thereof, taken by the Issuer and in conflict with this Bond Legislation are hereby repealed, except that this repealer shall not be construed so as to revive any act, order, resolution, ordinance, or part thereof, heretofore repealed.

Section 15. Severability. If any paragraph, clause, or provision of this Bond Legislation, except Section 7 hereof, is judicially adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining paragraphs, clauses or provisions of this ordinance, it being the intention that the various provisions hereof are severable.

Section 16. Compliance with Open Door Law. It is hereby found and determined that all formal actions of this Legislative Authority concerning and relating to the adoption of this Bond Legislation were adopted in an open meeting of this Legislative Authority, and that all deliberations of this Legislative Authority and of any of its committees that resulted in such

formal action, were in meetings open to the public, in compliance with all legal requirements including Chapter 5-14-1.5 of the Indiana Code.

Section 17. Effective Date. This Bond Legislation shall take effect and be in force and effect from and after its passage and approval as provided by law.

PASSED AND ORDAINED THIS 15 DAY OF JULY, 1987.

Timothy Mayer, President

Patricia Williams
Clerk

PRESENTED TO ME AND APPROVED THIS 17th DAY OF JULY, 1987.

Jennilee Allison
Mayor

EXHIBIT A

[BOND FORM]

REGISTERED
NO.

REGISTERED
$

[FORM OF FACE OF BOND]

United States of America

City of Bloomington, Indiana
Floating/Fixed Rate Economic Development
Refunding Revenue Bond
(The Kroger Co. Project)

AS OF _____, THE INTEREST RATE ON THIS BOND HAS BEEN CONVERTED TO THE FIXED RATE OF _____ PERCENT (____%) PER ANNUM.

THE INDIANA NATIONAL BANK
as Trustee

By_____
Authorized Officer

Interest Rate:	Maturity Date:	Dated as of:	CUSIP:
As described on the reverse side hereof	April 1, 1992	July 1, 1987	

The City of Bloomington, Indiana (the "Issuer"), for value received, promises to pay to _____, or registered assigns, but solely from the sources and in the manner referred to herein, the principal amount of

_____ DOLLARS

on the aforesaid Maturity Date, unless this Bond is called for earlier redemption, and to pay from those sources interest thereon at the applicable interest rate on each Interest Payment Date, as defined on the reverse side hereof, until the principal amount is paid or duly provided for. This Bond will bear interest from the most recent date to which interest has been paid or duly

provided for or, if no interest has been paid or duly provided for, from the date of its original delivery.

The principal of and any premium on this Bond are payable upon presentation and surrender hereof at the principal corporate trust office of the trustee, presently The Indiana National Bank, Indianapolis, Indiana (the "Trustee"). Interest is payable on each Interest Payment Date by check or draft mailed to the person in whose name this Bond (or one or more predecessor Bonds) is registered (the "Holder") at the close of business on the Regular Record Date applicable to that Interest Payment Date (the "Regular Record Date") on the registration books for this issue maintained by The Indiana National Bank, Indianapolis, Indiana as Registrar at the address appearing therein. The Regular Record Date shall (i) during the Variable Rate Period, as hereinafter defined, be the seventh day immediately preceding each Variable Rate Period Interest Payment Date, as hereinafter defined, and (ii) during the Fixed Rate Period, be the fifteenth day preceding each Fixed Rate Period Interest Payment Date, as hereinafter defined (or if such date is not a Business Day, the immediately preceding Business Day). Any interest which is not timely paid or duly provided for shall cease to be payable to the Holder hereof (or of one or more predecessor Bonds) as of the Regular Record Date, and shall be payable to the Holder hereof (or of one or more predecessor Bonds) at the close of business on a Special Record Date to be fixed by the Trustee for the payment of that overdue interest. Notice of the Special Record Date shall be mailed to Holders not less than ten days prior thereto. "Business Day" shall be a day of the year on which banks located in New York City or the city in which the principal corporate trust office of the Trustee is located are not required or authorized by law or executive order to remain closed and on which The New York Stock Exchange is not closed. The principal of and interest and any premium on this Bond are payable in lawful money of the United States of America, without deduction for the services of the paying agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE REVERSE SIDE. THOSE PROVISIONS SHALL HAVE THE SAME EFFECT FOR ALL PURPOSES AS IF SET FORTH HERE.

It is certified and recited that there have been performed and have happened in regular and due form, as required by law, all acts and conditions necessary to be done or performed by the Issuer or to have happened (i) precedent to and in the issuing of the Bonds in order to make them legal, valid and binding special obligations of the Issuer, and (ii) precedent to and in the execution and delivery of the Indenture and the Agreement; that payment in full for the Bonds has been received; and that the Bonds do not exceed or violate any constitutional or statutory limitation.

Date of Registration and Authentication:

_____

(FORM OF CERTIFICATE OF AUTHENTICATION) This Bond is one of the Bonds described in the within mentioned Indenture.

By THE INDIANA NATIONAL BANK
Trustee

By _____
Authorized
Signer

Registrable by and Payable at: The Indiana National Bank, Indianapolis, Indiana

IN WITNESS OF THE ABOVE, the Common Council of the City of Bloomington, Indiana has caused this Bond to be executed in the name of the Issuer by the facsimile signatures of the Mayor and the Clerk and the corporate seal of the Issuer to be printed hereon, as of the date set forth above.

CITY OF BLOOMINGTON, INDIANA

By (facsimile)
Mayor

And by (facsimile)
Clerk

[SEAL]

[REVERSE SIDE OF BOND]

This Bond is one of a duly authorized issue of Floating/Fixed Rate Economic Development Refunding Revenue Bonds (The Kroger Co. Project) (the "Refunding Bonds" or the "Bonds"), issuable under the Indenture described below, aggregating in principal amount $1,100,000 and issued for the purpose of providing funds to refund the outstanding $1,100,000 principal amount of the Issuer's Economic Development Revenue Bonds (The Kroger Co. Project) dated April 1, 1982 (the "Series 1982 Bonds"). The proceeds of the Refunding Bonds will be loaned to The Kroger Co. (the "Company") pursuant to a Loan Agreement duly made and entered into between the Issuer and the Company, dated as of July 1, 1987 (the "Agreement"). The Series 1982 Bonds were issued for the purpose of financing the costs of acquiring equipment and fixtures for a retail supermarket facility (the "Project") within the boundaries of the Issuer, pursuant to a Loan Agreement dated as of April 1, 1982 between the City of Bloomington, Indiana and the Company in order to promote the economic welfare of the Issuer by creating jobs and employment opportunities.

The Refunding Bonds are issued or to be issued under and are to be equally and ratably secured and entitled to the protection given by the Trust Indenture (the "Indenture") dated as of July 1, 1987, between the Issuer and the above-named Trustee. The term "Trustee" as used herein refers to said Trustee or any successor Trustee appointed pursuant to the Indenture. The Indenture is on file in the offices of the Issuer and the Trustee, and reference is hereby made to the Indenture for a more complete 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 Trustee and the Holders of the Refunding Bonds, and the terms and conditions upon which the Refunding Bonds are issued and secured, to all of the provisions of which Indenture, each Holder, by the acceptance hereof, assents.

Pursuant to the Agreement, and as evidenced and to be evidenced by the promissory note delivered thereunder (the "Refunding Note"), the Company is obligated to make payments in the amounts and at the times therein required to pay the principal of and interest and any premium on the Refunding Bonds (the "Bond service charges"). By the Indenture, the Issuer has assigned its right, title and interest in and to the Agreement and the Refunding Note to the Trustee as security for the payment of the Bond service charges.

The Refunding Bonds are issued pursuant to Title 36, Article 7, Chapters 11.9 and 12 of the Indiana Code, as enacted and amended from time to time, which incorporates by reference Title 5, Article 1, Chapter 5 of the Indiana Code, as enacted and amended from time to time and an ordinance passed by the Issuer's Common Council. The Bonds are special obligations of the Issuer, and the Bond service charges are payable solely from moneys paid by the Company, pursuant to the Agreement and the Refunding Note and any other moneys constituting "Revenues" as defined in the Indenture, and are not otherwise an obligation of the Issuer. The Refunding Bonds and the interest thereon constitute special obligations of the Issuer and shall not constitute an indebtedness of the Issuer or represent or constitute a debt or a pledge of the faith and credit of the Issuer or in any respect a general obligation of the Issuer, or be payable in any manner from revenues raised by taxation.

INTEREST RATE PRIOR TO CONVERSION DATE

During the period from the date of original delivery of the Refunding Bonds to and including the earliest of (i) the date of maturity of the Refunding Bonds, (ii) the date of redemption of all Refunding Bonds prior to maturity, or (iii) the day next preceding the Conversion Date (the "Variable Rate Period"), the interest rate on the Refunding Bonds shall be at the Variable Rate, as described below. Interest on the Refunding Bonds during the Variable Rate Period shall be computed on the basis of a 365-day or 366-day year, as applicable, for the number of days actually elapsed, payable quarterly on the first Business Day of each January, April, July and October (the "Variable Rate Period Interest Payment Dates").

Except as otherwise provided herein, the Refunding Bonds shall bear interest during the Variable Rate Period at a rate equal to 58% of the Trustee's "Prime Rate" or "Base Rate", as such rate may be adjusted from time to time; provided that if prior to the Conversion Date the Remarketing Agent is unable to remarket any Refunding Bond at par at such rate, all outstanding Refunding Bonds shall bear interest at a percentage of the "Prime Rate" or "Base Rate" as announced by the Trustee, from time to time, as determined and certified by the Remarketing Agent, as hereinafter defined, pursuant to Section 6.19 of the Indenture; provided further, that the Variable Rate may be adjusted on the first Business Day of each week in accordance with Section

6.19 of the Indenture upon certification by the Remarketing Agent. The adjusted Variable Rate shall not be less than 50% nor more than 100% of such "Prime Rate" or "Base Rate", but shall at all times be lower than twelve and one-half percent (12-1/2%) per annum or the maximum rate permitted by law, provided that the Variable Rate will be permitted to exceed twelve and one-half percent (12-1/2%) per annum from and after the delivery to the Trustee by the Company of an opinion of nationally-recognized bond counsel to the effect that payment of interest at a rate per annum in excess of such rate will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

CONVERSION TO A FIXED RATE

The Refunding Bonds have been issued subject to the provision that the interest rate on the Refunding Bonds may be fixed until maturity at the Fixed Rate, as hereinafter defined, upon the exercise by the Company of its option to convert the Refunding Bonds to the Fixed Rate. The Company may exercise its option to convert the interest rate on the Refunding Bonds to the Fixed Rate as provided in the Indenture by giving the notice required by the Indenture to the Trustee, among other parties. Such notice shall specify (i) the date on which the Refunding Bonds will cease to bear interest at the Variable Rate and will thereafter bear interest at the Fixed Rate (the "Conversion Date"), and (ii) the date as of which the Fixed Rate was or shall be computed (the "Computation Date"). Upon receipt of such written notice from the Company, the Trustee shall mail, at least 15 Business Days prior to the Conversion Date, by first class mail, postage prepaid, to the registered owner of each outstanding Refunding Bond at the address shown on the registration books maintained by the Trustee the notice required by the Indenture stating at least the following: (A) that the interest rate on the Refunding Bonds will be at the Fixed Rate commencing with the Conversion Date, (B) the Conversion Date, (C) the Computation Date and the Fixed Rate, if then established, or the procedures to be followed to inform such owners of the Refunding Bonds of the Fixed Rate after the Computation Date, (D) that interest will be paid on the Refunding Bonds on the Fixed Rate Period Interest Payment Dates after the Conversion Date, (E) that after the Conversion Date the holders or owners of the Refunding Bonds will no longer have the right to require purchase of Refunding Bonds by the Company as described herein, (F) that Holders of Refunding Bonds must either (i) tender their Refunding Bonds for purchase to the Depositary, as hereinafter defined, at a price equal to the principal amount thereof, plus accrued interest to the Conversion Date, on or prior to the Conversion Date, or (ii) give written notice to the Depositary not less than five (5) days prior to the Conversion Date of their intention to retain their Refunding Bonds after the Conversion Date and (G) that from the Conversion Date interest will cease to accrue on Undelivered Bonds, as hereinafter defined.

Undelivered Bonds shall be deemed to have been tendered for purchase and purchased by the Depositary, on behalf of the Company, and holders of Undelivered Bonds shall not be entitled to any payment (including any interest to accrue subsequent to the Conversion Date) other than the purchase price for such Undelivered Bonds, and the holders of any Undelivered Bonds shall no longer be entitled to the benefits of the Indenture, except for the purpose of

payment of the purchase price thereof. Refunding Bonds shall be issued in place of such Undelivered Bonds pursuant to the Indenture and after the issuance of the replacement Bonds, such Undelivered Bonds shall be deemed purchased and no longer outstanding under the Indenture.

During the period commencing on the Conversion Date to and including the date when all Bond service charges on the Refunding Bonds shall have been paid in full or provision shall have been made for the payment thereof in accordance with the Indenture (the "Fixed Rate Period"), the interest rate on the Refunding Bonds shall be at the Fixed Rate. Interest on the Refunding Bonds during the Fixed Rate Period shall be computed on the basis of a 360-day year, consisting of twelve, thirty-day months, and shall be payable on the April 1 or October 1 immediately following the Conversion Date and on each April 1 and October 1 thereafter (the "Fixed Rate Period Interest Payment Dates") until all Bond service charges on the Refunding Bonds shall have been paid in full or provision shall have been made for the payment thereof in accordance with the Indenture. The Fixed Rate shall be the minimum rate of interest which is necessary to remarket the Refunding Bonds in a secondary market transaction on the Conversion Date at par, as certified by the Remarketing Agent to the Trustee not later than the fifth Business Day preceding the Conversion Date (the "Fixed Rate") and shall at all times be lower than the rate of twelve and one-half percent (12-1/2%) per annum or the maximum rate permitted by law, provided that the Fixed Rate will be permitted to exceed twelve and one-half percent (12-1/2%) per annum from and after the delivery to the Trustee by the Company of an opinion of nationally-recognized bond counsel to the effect that payment of interest at a rate per annum in excess of such rate will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. The Fixed Rate Period Interest Payment Dates and the Variable Rate Period Interest Payment Dates together constitute the "Interest Payment Dates".

On the Conversion Date, or as soon thereafter as practicable, the Trustee shall complete the statement on the face of this Bond, or any Bond issued in exchange herefore, as to the Fixed Rate.

The Refunding Bonds are issuable as fully registered Bonds in the denominations of $100,000 or any multiple of $5,000 in excess of $100,000.

This Bond is transferable by the Holder hereof in person or by his attorney duly authorized in writing at the principal corporate trust office of the Registrar, upon presentation hereof to the Registrar, all subject to the terms and conditions provided in the Indenture.

During the Variable Rate Period, the Refunding Bonds shall be subject to redemption prior to stated maturity by the Issuer, at the direction of the Company, as a whole at any time or in part on any Variable Rate Period Interest Payment Date at a redemption price of 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption.

After conversion of the interest rate on the Refunding Bond to a Fixed Rate, the Refunding Bonds shall not be subject to optional redemption as provided under the immediately preceding paragraph, but shall be subject to

optional redemption by the Issuer, to be exercised at the direction of the Company, in whole on any date, or in part on any Interest Payment Date, on or after the First Optional Redemption Date (as hereinafter defined) at the redemption prices (expressed as percentages of the principal amount) set forth below, plus interest accrued to the redemption date:

Redemption Dates (dates inclusive)	Redemption Prices
First Optional Redemption Date through the following June 30	103%
First Anniversary of the First Optional Redemption Date through the following June 30	102%
Second Anniversary of the First Optional Redemption Date through the following June 30	101%
Third Anniversary of the First Optional Redemption Date and thereafter	100%

As used in this Bond, First Optional Redemption Date means the July 1 occurring in the year which is the number of years after the Conversion Date equal to the number of years between the July 1 immediately following the Conversion Date (unless the Conversion Date is a July 1, in which case from such July 1) and April 1, 1992, multiplied by 1/2 and rounded up to the nearest whole number.

The Refunding Bonds are subject to extraordinary optional redemption prior to stated maturity in the event of exercise by the Company of its option to direct such redemption upon occurrence of any of the events specified in Section 6.2 of the Agreement. If called for redemption upon the occurrence of such events, the Refunding Bonds shall be subject to redemption by the Issuer at any time in whole or on any Interest Payment Date, in part, in the event of condemnation of a significant part of the Project, as provided in the Agreement, at a redemption price of 100 percent of the principal amount thereof, plus accrued interest to the redemption date.

Upon the occurrence of a Determination of Taxability, as defined in the Indenture, the Refunding Bonds are subject to mandatory redemption in whole by the Issuer from the proceeds of the Company paying advance Loan Payments pursuant to the Agreement at a redemption price equal to 100 percent of the outstanding principal amount thereof, plus a premium in an amount equal to the amount of interest paid or accrued on the Refunding Bonds during the period elapsed from the Event of Taxability to the date fixed for redemption, plus interest accrued to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Company, but in no event later than 180 days following the Trustee's notification of the Determination of Taxability.

On or prior to the Conversion Date, any Refunding Bond shall be purchased by the Company in the principal amount of the face value thereof, on the demand of the Holder thereof, on any Business Day which is at least seven (7) days from the date of delivery of the notice referred to below at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, upon: (A) delivery to the Depositary at its principal corporate trust office of an irrevocable written notice which (1) states the principal amount of such Refunding Bond, (2) states the date on which such Refunding Bond shall be purchased pursuant to this provision, which date shall be a Business Day not prior to the seventh (7th) day immediately following the date of the delivery of such notice to the Depositary, (3) irrevocably requests such purchase and (4) contains an undertaking of the Holder to deliver the Refunding Bond to the Depositary in accordance with the Indenture; and (B) delivery of such Refunding Bond, duly endorsed in blank for transfer (together, in the event that the date for purchase occurs after the Regular Record Date for the next succeeding Interest Payment Date, with related due bills, in form and substance satisfactory to the Remarketing Agent) at the principal corporate trust office of the Depositary at or prior to 10:00 a.m., New York City time, on the date for purchase specified in the aforesaid notice; provided, however, that such Refunding Bond shall be so purchased only if the Refunding Bond delivered to the Depositary shall conform in all respects to the description thereof in the notice of the Bondholder delivered to the Depositary; provided further, however, that the delivery requirement set forth in (B) above shall be deemed to have been satisfied if (i) the Holder selling such Refunding Bond agrees to repurchase such Refunding Bond from the Remarketing Agent and (ii) delivers to the Depositary a written statement to the effect that such Holder has tendered his Refunding Bond(s) and has agreed to repurchase such Refunding Bonds from the Remarketing Agent. On such purchase date, the owner of the Refunding Bond so delivered shall be paid from one or more of the following sources of payment, in the following order:

(1) the proceeds of remarketing the Refunding Bond by the Remarketing Agent; and

(2) moneys furnished to the Depositary by the Company pursuant to the Agreement.

The Holders of Refunding Bonds will be required to tender their Refunding Bonds to the Depositary for purchase on (a) the Conversion Date, or (b) the date selected for tender and purchase of the Refunding Bonds in the event that as a result of a withdrawal or reduction in the credit rating assigned to the Refunding Bonds, no rating has been assigned to the Bonds which is in either of the two highest rating categories of either Standard & Poor's Corporation or Moody's Investors Service, Inc., at a price equal to 100% of the principal amount thereof plus accrued interest to the Conversion Date or the date selected for tender and purchase, as applicable, provided that a Holder may elect to retain Refunding Bonds subject to such mandatory tender and purchase by giving written notice to the Depositary not less than five (5) days prior to the purchase date, of his intention to retain such Bonds after the Conversion Date or in spite of the withdrawal or reduction of such credit rating.

Any Refunding Bond which is subject to the mandatory tender provisions, which is not tendered on the date designated for the purchase thereof, and for which adequate moneys are available to pay the purchase price thereof (each being an "Undelivered Bond") shall no longer be considered outstanding under the Indenture. The Holder of any Undelivered Bond shall not be entitled to interest from the purchase date to the date of the actual delivery thereof to the Depositary and may not transfer any Undelivered Bond to anyone other than the Depositary or the Remarketing Agent. Moneys deposited with the Depositary for purchase of Refunding Bonds shall be held in trust in a separate account and shall be paid to the former owners of Refunding Bonds upon presentation thereof. The Depositary shall hold moneys deposited by the Company, without liability for investment thereof, for the benefit of such Holder of such Undelivered Bond, who thereafter shall be restricted exclusively to such moneys for any claims whatsoever with respect to such Undelivered Bond. The Depositary shall hold such moneys for such period and under such terms as the Trustee is required to hold moneys in the Bond Fund established under the Indenture.

The Depositary is initially The Indiana National Bank, Indianapolis, Indiana, and any successor as Depositary under the Depositary Agreement, dated as of July 1, 1987 (the "Depositary Agreement"), by and among the Company, the Remarketing Agent, the Depositary and the Trustee. The Remarketing Agent is initially Thornton, Farish & Gauntt, Montgomery, Alabama, and any successor as Remarketing Agent under the Remarketing Agreement, dated as of July 1, 1987 (the "Remarketing Agreement"), by and between the Company and the Remarketing Agent.

Rights of redemption and mandatory tender for purchase of the Refunding Bonds shall be exercised by first class mailed notice, specifying the Refunding Bonds or portions thereof to be called, the redemption or purchase price to be paid, the date fixed for redemption or purchase and the places where the amounts due upon such redemption or purchase are payable, and stating that interest on the Refunding Bonds will cease to accrue after such date of redemption or purchase. If fewer than all of the outstanding Bonds are called for redemption at one time, those Bonds or portions thereof in amounts of $100,000 which are called shall be called by lot by the Trustee in any manner which the Trustee may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than $100,000 are then outstanding, each $100,000 unit of face value of principal thereof shall be treated as though it were a separate Bond of the denomination of $100,000. If it is determined that one or more, but not all of the $100,000 units of face value represented by a Bond are to be called for redemption, then upon notice of redemption of a $100,000 unit or units, the Holder of the Bond shall surrender the Bond to the Trustee (a) for payment of the redemption price of the $100,000 unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for issuance, without charge to the Holder thereof, of a new Bond or Bonds, of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate or rates and maturing on the same date as, the Bond surrendered. If Bonds or portions thereof are duly called for redemption and if on such redemption date moneys for the redemption thereof, together with

interest thereon to the redemption date, shall be held by the paying agents so as to be available therefor, then from and after such redemption date such Refunding Bonds or portions thereof shall cease to bear interest, and those Refunding Bonds and portions of Refunding Bonds shall no longer be protected by, and shall not be deemed to be outstanding under, the Indenture.

Except as provided in the Indenture, the Holders of the Refunding Bonds are not entitled to enforce the provisions of the Indenture, the Agreement or the Refunding Note or to institute, appear in or defend any suit, action or proceeding to enforce any provisions thereof or to take any action with respect to any Event of Default under the Indenture.

The Indenture permits certain amendments or supplements to the Agreement, the Indenture and the Refunding Note not prejudicial to the Bondholders to be made with the consent of the Trustee but without the consent of or notice to the Holders, and other amendments or supplements thereto (with certain exceptions as provided in the Indenture) to be made with the consent of the Holders of not less than a majority in aggregate principal amount of the Refunding Bonds at the time outstanding.

If an Event of Default, as defined in the Indenture, shall occur the principal of Refunding Bonds then outstanding may be declared due and payable in the manner and with the effect provided by the Indenture, but subject to waiver of such event of default or rescission of such declaration as provided in the Indenture.

The Refunding Bonds shall not constitute the personal obligation, either jointly or severally, of the members of the Common Council of the Issuer or any other officers of the Issuer.

This Refunding Bond shall not be entitled to any security or benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee or the Authenticating Agent.

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within-mentioned Indenture.

THE INDIANA NATIONAL BANK
Trustee

By _____
Authorized Signature

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns and transfers unto: Name_____ Address_____ _____ Federal Tax Identification No._____ the within Bond and does hereby irrevocably constitute and appoint _____ _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premises.

Dated: _____ _____

In the presence of: _____

[FORM OF BONDHOLDER'S ELECTION NOTICE]

Date: _____

The Indiana National Bank
One Indiana Square
Indianapolis, Indiana 46266

Attention: Corporate Trust Department

as Depositary under a Depositary Agreement dated as of July 1, 1987 relating to an issue of $1,100,000 aggregate principal amount of the City of Bloomington, Indiana Floating/Fixed Rate Economic Development Refunding Revenue Bonds (The Kroger Co. Project)

Gentlemen:

Pursuant to the provisions of the Indenture, demand for purchase of the Bond described below in the principal amount of its face value is hereby irrevocably made:

1. The Bond is one of the City of Bloomington, Indiana Floating/Fixed Rate Economic Development Refunding Revenue Bonds (The Kroger Co. Project), numbered _____, the principal amount of which is $_____, and the Bond has been duly endorsed in blank for transfer (together, in the event that the date for purchase occurs after the Regular Record Date (as defined in the Bond), for the next succeeding Interest Payment Date, with related due bills in form satisfactory to the Remarketing Agent (as defined in the Indenture)).

2. The date on which the Bond shall be purchased (a Business Day, as defined in the Bond, not prior to the seventh calendar day immediately following the date of delivery of this Notice) shall be _____.

3. The name of the registered owner or owners of the Bond is _____ and the address or addresses of such owner or owners is _____
_____.

4. The person or persons to whom or to whose order the proceeds of the purchase of the Bond are to be paid, and the address or addresses of such payee or payees is _____
_____.

I (we) hereby undertake to deliver such Bond to the Depositary at the above address in Indianapolis, Indiana not later than 10:00 a.m. New York City time on the Business Day set forth in paragraph 2 above.

Name and signature of holder or holder's duly authorized attorney-in-fact:

Name	Signature
_____	_____

Squire, Sanders & Dempsey

Additional Offices:
Brussels, Belgium
Columbus, Ohio
Miami, Florida
New York, New York
Phoenix, Arizona
Washington, D.C.

Counsellors at Law
1800 Huntington Building
Cleveland, Ohio 44115

Telephone (216) 687-8500
Cable "Squiresand"
Telex 985-661
Telecopier 1 (216) 687-8777
Telecopier 2 (216) 687-8780

Direct Dial Number
687-8515

July 14, 1987

To the Parties on the Attached Distribution List:

Re: $1,100,000 City of Bloomington, Indiana
Floating/Fixed Rate Economic Development Refunding Revenue Bonds
(The Kroger Co. Project)

In connection with the captioned proposed bond issue, I have enclosed the following documents which have been blacklined to show changes:

1. Loan Agreement between the City of Bloomington, Indiana ("Issuer") and the Kroger Co. ("Company"),

2. Trust Indenture between the Issuer and the Indiana National Bank, as Trustee ("Trustee"),

3. Bond Purchase Agreement between Thornton, Farish & Gauntt, Inc. ("The Underwriter"), the Issuer and the Company,

4. Remarketing Agreement between the Underwriter and the Company,

5. Depositary Agreement among the Trustee, the Company, the Indiana National Bank, as depositary, and the Underwriter, and

6. Limited Offering Memorandum relating to the captioned Bonds.

If you have any comments or questions concerning the enclosed documents, please give me a call.

Very truly yours,

Barbara A. Rutigliano

Barabara A. Rutigliano/das
Enclosures

P.S. to Pat Williams:

I've enclosed a clean copy of the revised bond form which should be attached to the ordinance authorizing the Bonds as Exhibit A. Also enclosed are five signature pages to the financing documents which the Issuer is to execute.

Distribution List

Kroger Refunding Issue
Bloomington, Indiana

COMPANY

The Kroger Co.
1014 Vine Street
Cincinnati, Ohio 45202

Attn: Norma Skoog, Esq.
Edward N. Waldvogel, CPA,
Senior Financial Analyst
(513) 762-4000

ISSUER

City of Bloomington
Municipal Building
Box 100
Bloomington, Indiana 47402

Attn: Linda Runkle, Esq. (ext. 55)
Kathy Saunders, Esq.
Patricia Williams, Clerk
(812) 339-2261

UNDERWRITER

Thornton, Farish & Gauntt, Inc.
515 South Perry Street
Montgomery, Alabama 36104

Attn: Scott W. Bamman
(205) 265-0221

BOND COUNSEL

Squire, Sanders & Dempsey
1800 Huntington Building
Cleveland, Ohio 44115

Attn: D. Bruce Gabriel, Esq.
(216) 687-8746
Barbara A. Rutigliano, Esq.
(216) 687-8515

TRUSTEE

The Indiana National Bank
One Indiana Square
Indianapolis, Indiana 46266

Attn: Phillip N. Smith, Vice President
(317) 266-6188

EXHIBIT A

[BOND FORM]

REGISTERED
NO.

REGISTERED
$

[FORM OF FACE OF BOND]

United States of America

City of Bloomington, Indiana
Floating/Fixed Rate Economic Development
Refunding Revenue Bond
(The Kroger Co. Project)

AS OF _____, THE INTEREST RATE ON THIS BOND HAS BEEN CONVERTED TO THE FIXED RATE OF _____ PERCENT (____%) PER ANNUM.

THE INDIANA NATIONAL BANK
as Trustee

By_____
Authorized Officer

Interest Rate:	Maturity Date:	Dated as of:	CUSIP:
As described on the reverse side hereof	April 1, 1992	July 1, 1987	

The City of Bloomington, Indiana (the "Issuer"), for value received, promises to pay to _____, or registered assigns, but solely from the sources and in the manner referred to herein, the principal amount of

_____ DOLLARS

on the aforesaid Maturity Date, unless this Bond is called for earlier redemption, and to pay from those sources interest thereon at the applicable interest rate on each Interest Payment Date, as defined on the reverse side hereof, until the principal amount is paid or duly provided for. This Bond will bear interest from the most recent date to which interest has been paid

or duly provided for or, if no interest has been paid or duly provided for, from the date of its original delivery.

The principal of and any premium on this Bond are payable upon presentation and surrender hereof at the principal corporate trust office of the trustee, presently The Indiana National Bank, Indianapolis, Indiana (the "Trustee"). Interest is payable on each Interest Payment Date by check or draft mailed to the person in whose name this Bond (or one or more predecessor Bonds) is registered (the "Holder") at the close of business on the Regular Record Date applicable to that Interest Payment Date (the "Regular Record Date") on the registration books for this issue maintained by The Indiana National Bank, Indianapolis, Indiana as Registrar at the address appearing therein. The Regular Record Date shall (i) during the Variable Rate Period, as hereinafter defined, be the seventh day immediately preceding each Variable Rate Period Interest Payment Date, as hereinafter defined, and (ii) during the Fixed Rate Period, be the fifteenth day preceding each Fixed Rate Period Interest Payment Date, as hereinafter defined (or if either such date is not a Business Day, the immediately preceding Business Day). Any interest which is not timely paid or duly provided for shall cease to be payable to the Holder hereof (or of one or more predecessor Bonds) as of the Regular Record Date, and shall be payable to the Holder hereof (or of one or more predecessor Bonds) at the close of business on a Special Record Date to be fixed by the Trustee for the payment of that overdue interest. Notice of the Special Record Date shall be mailed to Holders not less than ten days prior thereto. "Business Day" shall be a day of the year on which banks located in New York City or the city in which the principal corporate trust office of the Trustee is located are not required or authorized by law or executive order to remain closed and on which The New York Stock Exchange is not closed. The principal of and interest and any premium on this Bond are payable in lawful money of the United States of America, without deduction for the services of the paying agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE REVERSE SIDE. THOSE PROVISIONS SHALL HAVE THE SAME EFFECT FOR ALL PURPOSES AS IF SET FORTH HERE.

It is certified and recited that there have been performed and have happened in regular and due form, as required by law, all acts and conditions necessary to be done or performed by the Issuer or to have happened (i) precedent to and in the issuing of the Bonds in order to make them legal, valid and binding special obligations of the Issuer, and (ii) precedent to and in the execution and delivery of the Indenture and the Agreement; that payment in full for the Bonds has been received; and that the Bonds do not exceed or violate any constitutional or statutory limitation.

Date of Registration and Authentication:

_____

(FORM OF CERTIFICATE OF AUTHENTICATION) This Bond is one of the Bonds described in the within mentioned Indenture.

By THE INDIANA NATIONAL BANK
Trustee

By _____
Authorized
Signer

Registrable by and Payable at: The Indiana National Bank, Indianapolis, Indiana

IN WITNESS OF THE ABOVE, the Common Council of the City of Bloomington, Indiana has caused this Bond to be executed in the name of the Issuer by the facsimile signatures of the Mayor and the Clerk and the corporate seal of the Issuer to be printed hereon, as of the date set forth above.

CITY OF BLOOMINGTON, INDIANA

By (facsimile)
Mayor

And by (facsimile)
Clerk

[SEAL]

[REVERSE SIDE OF BOND]

This Bond is one of a duly authorized issue of Floating/Fixed Rate Economic Development Refunding Revenue Bonds (The Kroger Co. Project) (the "Refunding Bonds" or the "Bonds"), issuable under the Indenture described below, aggregating in principal amount $1,100,000 and issued for the purpose of providing funds to refund the outstanding $1,100,000 principal amount of the Issuer's Economic Development Revenue Bonds (The Kroger Co. Project) dated April 1, 1982 (the "Series 1982 Bonds"). The proceeds of the Refunding Bonds will be loaned to The Kroger Co. (the "Company") pursuant to a Loan Agreement duly made and entered into between the Issuer and the Company, dated as of July 1, 1987 (the "Agreement"). The Series 1982 Bonds were issued for the purpose of financing the costs of acquiring equipment and fixtures for a retail supermarket facility (the "Project") within the boundaries of the Issuer, pursuant to a Loan Agreement dated as of April 1, 1982 between the City of Bloomington, Indiana and the Company in order to promote the economic welfare of the Issuer by creating jobs and employment opportunities.

The Refunding Bonds are issued or to be issued under and are to be equally and ratably secured and entitled to the protection given by the Trust Indenture (the "Indenture") dated as of July 1, 1987, between the Issuer and the above-named Trustee. The term "Trustee" as used herein refers to said Trustee or any successor Trustee appointed pursuant to the Indenture. The Indenture is on file in the offices of the Issuer and the Trustee, and reference is hereby made to the Indenture for a more complete 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 Trustee and the Holders of the Refunding Bonds, and the terms and conditions upon which the Refunding Bonds are issued and secured, to all of the provisions of which Indenture, each Holder, by the acceptance hereof, assents.

Pursuant to the Agreement, and as evidenced and to be evidenced by the promissory note delivered thereunder (the "Refunding Note"), the Company is obligated to make payments in the amounts and at the times therein required to pay the principal of and interest and any premium on the Refunding Bonds (the "Bond service charges"). By the Indenture, the Issuer has assigned its right, title and interest in and to the Agreement and the Refunding Note to the Trustee as security for the payment of the Bond service charges.

The Refunding Bonds are issued pursuant to Title 36, Article 7, Chapters 11.9 and 12 of the Indiana Code, as enacted and amended from time to time, which incorporates by reference Title 5, Article 1, Chapter 5 of the Indiana Code, as enacted and amended from time to time and an ordinance passed by the Issuer's Common Council. The Bonds are special obligations of the Issuer, and the Bond service charges are payable solely from moneys paid by the Company, pursuant to the Agreement and the Refunding Note and any other moneys constituting "Revenues" as defined in the Indenture, and are not otherwise an obligation of the Issuer. The Refunding Bonds and the interest thereon constitute special obligations of the Issuer and shall not constitute an indebtedness of the Issuer or represent or constitute a debt or a pledge of the faith and credit of the Issuer or in any respect a general obligation of the Issuer, or be payable in any manner from revenues raised by taxation.

INTEREST RATE PRIOR TO CONVERSION DATE

During the period from the date of original delivery of the Refunding Bonds to and including the earliest of (i) the date of maturity of the Refunding Bonds, (ii) the date of redemption of all Refunding Bonds prior to maturity, or (iii) the day next preceding the Conversion Date (the "Variable Rate Period"), the interest rate on the Refunding Bonds shall be at the Variable Rate, as described below. Interest on the Refunding Bonds during the Variable Rate Period shall be computed on the basis of a 365-day or 366-day year, as applicable, for the number of days actually elapsed, payable quarterly on the first Business Day of each January, April, July and October and on the Conversion Date (the "Variable Rate Period Interest Payment Dates").

Except as otherwise provided herein, the Refunding Bonds shall bear interest during the Variable Rate Period at a rate equal to 58% of the Trustee's "Prime Rate" or "Base Rate", as such rate may be adjusted from time to time; provided that if prior to the Conversion Date the Remarketing Agent is unable to remarket any Refunding Bond at par at such rate, all outstanding Refunding Bonds shall bear interest at a percentage of the "Prime Rate" or "Base Rate" as announced by the Trustee, from time to time, as determined and certified by the Remarketing Agent, as hereinafter defined, pursuant to Section 6.19 of the Indenture; provided further, that the Variable Rate may be adjusted on the first Business Day of each week in accordance with Section

6.19 of the Indenture upon certification by the Remarketing Agent. The adjusted Variable Rate shall not be less than 50% nor more than 100% of such "Prime Rate" or "Base Rate", or in excess of the maximum rate permitted by law, provided, further, that the Variable Rate may not at any time equal or exceed twelve and one-half percent (12-1/2%) per annum unless there shall first have been delivered to the Trustee by the Company an opinion of nationally-recognized bond counsel to the effect that payment of interest at a rate per annum equal to or in excess of such rate will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

CONVERSION TO A FIXED RATE

The Refunding Bonds have been issued subject to the provision that the interest rate on the Refunding Bonds may be fixed until maturity at the Fixed Rate, as hereinafter defined, upon the exercise by the Company of its option to convert the Refunding Bonds to the Fixed Rate. The Company may exercise its option to convert the interest rate on the Refunding Bonds to the Fixed Rate as provided in the Indenture by giving the notice required by the Indenture to the Trustee, among other parties. Such notice shall specify (i) the date on which the Refunding Bonds will cease to bear interest at the Variable Rate and will thereafter bear interest at the Fixed Rate (the "Conversion Date"), and (ii) the date as of which the Fixed Rate was or shall be computed (the "Computation Date"). Upon receipt of such written notice from the Company, the Trustee shall mail, at least 15 Business Days prior to the Conversion Date, by first class mail, postage prepaid, to the registered owner of each outstanding Refunding Bond at the address shown on the registration books maintained by the Trustee the notice required by the Indenture stating at least the following: (A) that the interest rate on the Refunding Bonds will be at the Fixed Rate commencing with the Conversion Date, (B) the Conversion Date, (C) the Computation Date and the Fixed Rate, if then established, or the procedures to be followed to inform such owners of the Refunding Bonds of the Fixed Rate after the Computation Date, (D) that interest will be paid on the Refunding Bonds on the Fixed Rate Period Interest Payment Dates after the Conversion Date, (E) that after the Conversion Date the holders or owners of the Refunding Bonds will no longer have the right to require purchase of Refunding Bonds by the Company as described herein, (F) that Holders of Refunding Bonds must either (i) tender their Refunding Bonds for purchase to the Depositary, as hereinafter defined, at a price equal to the principal amount thereof, plus accrued interest to the Conversion Date, on or prior to the Conversion Date, or (ii) give written notice to the Depositary not less than five (5) days prior to the Conversion Date of their intention to retain their Refunding Bonds after the Conversion Date and (G) that from the Conversion Date interest will cease to accrue on Undelivered Bonds, as hereinafter defined.

Undelivered Bonds shall be deemed to have been tendered for purchase and purchased by the Depositary, on behalf of the Company, and holders of Undelivered Bonds shall not be entitled to any payment (including any interest to accrue subsequent to the Conversion Date) other than the purchase price for such Undelivered Bonds, and the holders of any Undelivered Bonds shall no longer be entitled to the benefits of the Indenture, except for the purpose of

payment of the purchase price thereof. Refunding Bonds shall be issued in place of such Undelivered Bonds pursuant to the Indenture and after the issuance of the replacement Bonds, such Undelivered Bonds shall be deemed purchased and no longer outstanding under the Indenture.

During the period commencing on the Conversion Date to and including the date when all Bond service charges on the Refunding Bonds shall have been paid in full or provision shall have been made for the payment thereof in accordance with the Indenture (the "Fixed Rate Period"), the interest rate on the Refunding Bonds shall be at the Fixed Rate. Interest on the Refunding Bonds during the Fixed Rate Period shall be computed on the basis of a 360-day year, consisting of twelve, thirty-day months, and shall be payable on the April 1 or October 1 immediately following the Conversion Date and on each April 1 and October 1 thereafter (the "Fixed Rate Period Interest Payment Dates") until all Bond service charges on the Refunding Bonds shall have been paid in full or provision shall have been made for the payment thereof in accordance with the Indenture. The Fixed Rate shall be the minimum rate of interest which is necessary to remarket the Refunding Bonds in a secondary market transaction on the Conversion Date at par, as certified by the Remarketing Agent to the Trustee not later than the fifth Business Day preceding the Conversion Date (the "Fixed Rate"), but not in excess of the maximum rate permitted by law, provided, further, that the Fixed Rate may not at any time equal or exceed twelve and one-half percent (12-1/2%) per annum unless there shall first have been delivered to the Trustee by the Company an opinion of nationally-recognized bond counsel to the effect that payment of interest at a rate per annum equal to or in excess of such rate will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. The Fixed Rate Period Interest Payment Dates and the Variable Rate Period Interest Payment Dates together constitute the "Interest Payment Dates".

On the Conversion Date, or as soon thereafter as practicable, the Trustee shall complete the statement on the face of this Bond, or any Bond issued in exchange herefore, as to the Fixed Rate.

The Refunding Bonds are issuable as fully registered Bonds in the denominations of $100,000 or any multiple of $5,000 in excess of $100,000.

This Bond is transferable by the Holder hereof in person or by his attorney duly authorized in writing at the principal corporate trust office of the Registrar, upon presentation hereof to the Registrar, all subject to the terms and conditions provided in the Indenture.

During the Variable Rate Period, the Refunding Bonds shall be subject to redemption prior to stated maturity by the Issuer, at the direction of the Company, as a whole at any time or in part on any Variable Rate Period Interest Payment Date at a redemption price of 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption.

After conversion of the interest rate on the Refunding Bond to a Fixed Rate, the Refunding Bonds shall not be subject to optional redemption as provided under the immediately preceding paragraph, but shall be subject to

optional redemption by the Issuer, to be exercised at the direction of the Company, in whole on any date, or in part on any Interest Payment Date, on or after the First Optional Redemption Date (as hereinafter defined) at the redemption prices (expressed as percentages of the principal amount) set forth below, plus interest accrued to the redemption date:

Redemption Dates (dates inclusive)	Redemption Prices
First Optional Redemption Date through the following June 30	103%
First Anniversary of the First Optional Redemption Date through the following June 30	102%
Second Anniversary of the First Optional Redemption Date through the following June 30	101%
Third Anniversary of the First Optional Redemption Date and thereafter	100%

As used in this Bond, First Optional Redemption Date means the July 1 occurring in the year which is the number of years after the Conversion Date equal to the number of years between the July 1 immediately following the Conversion Date (unless the Conversion Date is a July 1, in which case from such July 1) and April 1, 1992, multiplied by 1/2 and rounded up to the nearest whole number.

The Refunding Bonds are subject to extraordinary optional redemption prior to stated maturity in the event of exercise by the Company of its option to direct such redemption upon occurrence of any of the events specified in Section 6.2 of the Agreement. If called for redemption upon the occurrence of such events, the Refunding Bonds shall be subject to redemption by the Issuer at any time in whole or on any Interest Payment Date, in part, in the event of condemnation of a significant part of the Project, as provided in the Agreement, at a redemption price of 100 percent of the principal amount thereof, plus accrued interest to the redemption date.

Upon the occurrence of a Determination of Taxability, as defined in the Indenture, the Refunding Bonds are subject to mandatory redemption in whole by the Issuer from the proceeds of the Company paying advance Loan Payments pursuant to the Agreement at a redemption price equal to 100 percent of the outstanding principal amount thereof, plus a premium in an amount equal to the amount of interest paid or accrued on the Refunding Bonds during the period elapsed from the Event of Taxability to the date fixed for redemption, plus interest accrued to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Company, but in no event later than 180 days following the Trustee's notification of the Determination of Taxability.

On or prior to the Conversion Date, any Refunding Bond shall be purchased by the Company in the principal amount of the face value thereof, on the demand of the Holder thereof, on any Business Day which is at least seven (7) days from the date of delivery of the notice referred to below at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, upon: (A) delivery to the Depositary at its principal corporate trust office of an irrevocable written notice which (1) states the principal amount of such Refunding Bond, (2) states the date on which such Refunding Bond shall be purchased pursuant to this provision, which date shall be a Business Day not prior to the seventh (7th) day immediately following the date of the delivery of such notice to the Depositary, (3) irrevocably requests such purchase and (4) contains an undertaking of the Holder to deliver the Refunding Bond to the Depositary in accordance with the Indenture; and (B) delivery of such Refunding Bond, duly endorsed in blank for transfer (together, in the event that the date for purchase occurs after the Regular Record Date for the next succeeding Interest Payment Date, with related due bills, in form and substance satisfactory to the Remarketing Agent) at the principal corporate trust office of the Depositary at or prior to 10:00 a.m., New York City time, on the date for purchase specified in the aforesaid notice; provided, however, that such Refunding Bond shall be so purchased only if the Refunding Bond delivered to the Depositary shall conform in all respects to the description thereof in the notice of the Bondholder delivered to the Depositary; provided further, however, that the delivery requirement set forth in (B) above shall be deemed to have been satisfied if (i) the Holder selling such Refunding Bond agrees to repurchase such Refunding Bond from the Remarketing Agent and (ii) delivers to the Depositary a written statement to the effect that such Holder has tendered his Refunding Bond(s) and has agreed to repurchase such Refunding Bonds from the Remarketing Agent. On such purchase date, the owner of the Refunding Bond so delivered shall be paid from one or more of the following sources of payment, in the following order:

(1) the proceeds of remarketing the Refunding Bond by the Remarketing Agent; and

(2) moneys furnished to the Depositary by the Company pursuant to the Agreement.

The Holders of Refunding Bonds will be required to tender their Refunding Bonds to the Depositary for purchase on (a) the Conversion Date, or (b) the date selected for tender and purchase of the Refunding Bonds in the event that as a result of a withdrawal or reduction in the credit rating assigned to the Refunding Bonds, no rating has been assigned to the Bonds which is in either of the two highest rating categories of either Standard & Poor's Corporation or Moody's Investors Service, Inc., at a price equal to 100% of the principal amount thereof plus accrued interest to the Conversion Date or the date selected for tender and purchase, as applicable, provided that a Holder may irrevocably elect to retain Refunding Bonds subject to such mandatory tender and purchase by giving written notice to the Depositary not less than five (5) days prior to the purchase date, of his intention to retain such Bonds after the Conversion Date or in spite of the withdrawal or reduction of such credit rating.

Any Refunding Bond which is subject to the mandatory tender provisions, which is not tendered on the date designated for the purchase thereof, and for which the Holder has not made an irrevocable election to retain and for which adequate moneys are available to pay the purchase price thereof (each being an "Undelivered Bond") shall no longer be considered outstanding under the Indenture. The Holder of any Undelivered Bond shall not be entitled to interest from the purchase date to the date of the actual delivery thereof to the Depositary and may not transfer any Undelivered Bond to anyone other than the Depositary or the Remarketing Agent. Moneys deposited with the Depositary for purchase of Refunding Bonds shall be held in trust in a separate account and shall be paid to the former owners of Refunding Bonds upon presentation thereof. The Depositary shall hold moneys deposited by the Company, without liability for investment thereof, for the benefit of such Holder of such Undelivered Bond, who thereafter shall be restricted exclusively to such moneys for any claims whatsoever with respect to such Undelivered Bond. The Depositary shall hold such moneys for such period and under such terms as the Trustee is required to hold moneys in the Bond Fund established under the Indenture.

The Depositary is initially The Indiana National Bank, Indianapolis, Indiana, and any successor as Depositary under the Depositary Agreement, dated as of July 1, 1987 (the "Depositary Agreement"), by and among the Company, the Remarketing Agent, the Depositary and the Trustee. The Remarketing Agent is initially Thornton, Farish & Gauntt, Montgomery, Alabama, and any successor as Remarketing Agent under the Remarketing Agreement, dated as of July 1, 1987 (the "Remarketing Agreement"), by and between the Company and the Remarketing Agent.

Rights of redemption and mandatory tender for purchase of the Refunding Bonds shall be exercised by first class mailed notice, specifying the Refunding Bonds or portions thereof to be called, the redemption or purchase price to be paid, the date fixed for redemption or purchase and the places where the amounts due upon such redemption or purchase are payable, and stating that interest on the Refunding Bonds will cease to accrue after such date of redemption or purchase. If fewer than all of the outstanding Bonds are called for redemption at one time, those Bonds or portions thereof in amounts of $100,000 which are called shall be called by lot by the Trustee in any manner which the Trustee may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than $100,000 are then outstanding, each $100,000 unit of face value of principal thereof shall be treated as though it were a separate Bond of the denomination of $100,000. If it is determined that one or more, but not all of the $100,000 units of face value represented by a Bond are to be called for redemption, then upon notice of redemption of a $100,000 unit or units, the Holder of the Bond shall surrender the Bond to the Trustee (a) for payment of the redemption price of the $100,000 unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for issuance, without charge to the Holder thereof, of a new Bond or Bonds, of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate or rates and maturing on the same date as, the Bond surrendered. If Bonds or portions thereof are duly called for redemption and if on such redemption date moneys for the redemption thereof, together with interest thereon to the redemption

date, shall be held by the paying agents so as to be available therefor, then from and after such redemption date such Refunding Bonds or portions thereof shall cease to bear interest, and those Refunding Bonds and portions of Refunding Bonds shall no longer be protected by, and shall not be deemed to be outstanding under, the Indenture.

Except as provided in the Indenture, the Holders of the Refunding Bonds are not entitled to enforce the provisions of the Indenture, the Agreement or the Refunding Note or to institute, appear in or defend any suit, action or proceeding to enforce any provisions thereof or to take any action with respect to any Event of Default under the Indenture.

The Indenture permits certain amendments or supplements to the Agreement, the Indenture and the Refunding Note not prejudicial to the Bondholders to be made with the consent of the Trustee but without the consent of or notice to the Holders, and other amendments or supplements thereto (with certain exceptions as provided in the Indenture) to be made with the consent of the Holders of not less than a majority in aggregate principal amount of the Refunding Bonds at the time outstanding.

If an Event of Default, as defined in the Indenture, shall occur the principal of Refunding Bonds then outstanding may be declared due and payable in the manner and with the effect provided by the Indenture, but subject to waiver of such event of default or rescission of such declaration as provided in the Indenture.

The Refunding Bonds shall not constitute the personal obligation, either jointly or severally, of the members of the Common Council of the Issuer or any other officers of the Issuer.

This Refunding Bond shall not be entitled to any security or benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee or the Authenticating Agent.

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within-mentioned Indenture.

THE INDIANA NATIONAL BANK
Trustee

By _____
Authorized Signature

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns and transfers unto: Name_____ Address_____ _____ Federal Tax Identification No._____ the within Bond and does hereby irrevocably constitute and appoint _____ _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premises.

Dated: _____ _____

In the presence of: _____

[FORM OF BONDHOLDER'S ELECTION NOTICE]

Date: _____

The Indiana National Bank
One Indiana Square
Indianapolis, Indiana 46266

Attention: Corporate Trust Department

as Depositary under a Depositary Agreement dated as of July 1, 1987 relating to an issue of $1,100,000 aggregate principal amount of the City of Bloomington, Indiana Floating/Fixed Rate Economic Development Refunding Revenue Bonds (The Kroger Co. Project)

Gentlemen:

Pursuant to the provisions of the Indenture, demand for purchase of the Bond described below in the principal amount of its face value is hereby irrevocably made:

1. The Bond is one of the City of Bloomington, Indiana Floating/Fixed Rate Economic Development Refunding Revenue Bonds (The Kroger Co. Project), numbered _____, the principal amount of which is $_____, and the Bond has been duly endorsed in blank for transfer (together, in the event that the date for purchase occurs after the Regular Record Date (as defined in the Bond), for the next succeeding Interest Payment Date, with related due bills in form satisfactory to the Remarketing Agent (as defined in the Indenture)).

2. The date on which the Bond shall be purchased (a Business Day, as defined in the Bond, not prior to the seventh calendar day immediately following the date of delivery of this Notice) shall be _____.

3. The name of the registered owner or owners of the Bond is _____ and the address or addresses of such owner or owners is _____
_____.

4. The person or persons to whom or to whose order the proceeds of the purchase of the Bond are to be paid, and the address or addresses of such payee or payees is _____
_____.

I (we) hereby undertake to deliver such Bond to the Depositary at the above address in Indianapolis, Indiana not later than 10:00 a.m. New York City time on the Business Day set forth in paragraph 2 above.

Name and signature of holder or holder's duly authorized attorney-in-fact:

Name	Signature
_____	_____

SQUIRE, SANDERS & DE
KROGER CO PROJ

HERALD-TELEPHONE
BLOOMINGTON, INDIANA

PROOF OF PUBLICATION

State of Indiana)
)ss
County of Monroe.....)

Leah Leahy being duly sworn on oath, says that she is billing clerk of Herald-Telephone, a public newspaper of general circulation, printed in the town of Bloomington in said county and state; that the notice, of which the annexed is a true copy, was published in regular edition of said paper, issued upon the following dates, to wit:

1987:
07/01

Leah Leahy

Subscribed and sworn to before me on 07/01, 1987.

Mary Buckner
Notary Public or Clerk

My commission expires 8-21-89

Publication Fee $20.00