

**ST. LOUIS COUNTY HOUSING AND REDEVELOPMENT AUTHORITY (HRA)
PROCEEDINGS**

Tuesday, August 5, 2014

The St. Louis County Housing and Redevelopment Authority (HRA) meeting was called to order at 11:02 a.m., by Commissioner Steve Raukar in the County Boardroom, 2nd Floor, Courthouse, Duluth, MN, with the following members present: Commissioners Frank Jewell, Patrick Boyle, Chris Dahlberg, Mike Forsman, Pete Stauber, Keith Nelson, and Chair Steve Raukar - 7. Absent: None - 0.

At 11:03 a.m., a public hearing, pursuant to Resolution No. 14-184, adopted July 1, 2014, was opened to receive citizen comments regarding the issuance of \$3.3 million bank qualified tax exempt bonds for the North Shore Community School Construction Project. Barb Hayden, HRA Executive Director, discussed the proposal. Chair Raukar asked if there was any testimony from representatives of other governmental entities and no one came forth. Chair Raukar asked if there were any supporters, opponents, or citizens who wished to speak to the proposal and no one came forth. After further discussion, Commissioner Nelson, supported by Commissioner Jewell, moved to close the public hearing at 11:06 a.m. The motion passed; seven yeas, zero nays.

Commissioner Stauber, supported by Commissioner Boyle, moved to approve the issuance of a \$3.3 million bank qualified tax exempt note for the North Shore Community School Construction Project and approve the execution of related documents. The motion passed; seven yeas, zero nays. HRA Resolution No. 14-186

At 11:08 a.m. the HRA meeting recessed.

At 1:46 p.m. the HRA meeting reconvened.

Commissioner Nelson, supported by Commissioner Jewell, moved to approve the minutes from the July 1, 2014, HRA meeting; seven yeas, zero nays.

Commissioner Nelson, supported by Commissioner Stauber, moved to adopt the Post-Issuance Debt Compliance Policy of St. Louis County as its own, along with an addendum to the SLC Policy which addresses tax exempt conduit bonds/notes issued by the HRA. Mary Frances Skala discussed the policy. Phil Strom discussed the overall project and gave the HRA a handout that contained images of the proposed addition to the North Shore Community School. The motion passed; seven yeas, zero nays. HRA Resolution No. 14-187.

HRA RESOLUTION No. 14-186

**RESOLUTION APPROVING THE ISSUANCE AND SALE OF A LEASE REVENUE
NOTE (NORTH SHORE COMMUNITY SCHOOL PROJECT), SERIES 2014**

BE IT RESOLVED, by the governing body (the "Board") of the Housing and Redevelopment Authority of St. Louis County (the "Issuer"), as follows:

- Section 1. Definitions. The terms used herein, unless the context hereof requires otherwise, have the following meanings, and any other terms defined in the Loan Agreement (hereinafter defined) have the same meanings when used herein as assigned to them in the Loan Agreement unless the context or use thereof indicates another or differing meaning or intent:
- a. Act: collectively, Minnesota Statutes, Sections 469.152 through 469.165, as amended.
 - b. Assignment Agreement: the Assignment Agreement to be entered into between the Issuer, the Borrower and the Purchaser, pursuant to which the Issuer pledges and grants a security interest in all of its rights, title and interest in the Loan Agreement (except for certain rights of the Issuer to payment, indemnification and enforcement) to the Purchaser.
 - c. Assignment of Architect's Contract: the Assignment of Architect's Contract between the Borrower and Purchaser and acknowledged and consented to by Toltz, King, Duvall, Anderson and Associates, Incorporated.
 - d. Assignment of Construction Contract: the Assignment of Construction Management Contract between the Borrower and Purchaser and acknowledged and consented to by Kraus-Anderson Construction Company.
 - e. Assignment of Lease: the Assignment of Lease, dated as of July 15, 2014, between the Borrower and Purchaser.
 - f. Authorized Officers: the Chair and the Executive Director of the Issuer, or her deputy or acting designee of either of them.
 - g. Board: the governing body of the Issuer.
 - h. Bond Counsel: the law firm of Fryberger, Buchanan, Smith & Frederick, P.A. or any other firm of nationally-recognized bond counsel.
 - i. Borrower: ABC of North Shore Community School, Inc., being (as represented to the Issuer) a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, the corporate offices of which are located at 5926 Ryan Road, Duluth, MN 55804.
 - j. Code: the Internal Revenue Code of 1986, as amended.
 - k. Collateral Documents: the Mortgage, the Pledge and Covenant Agreement, the Assignment of Lease, the Disbursing Agreement, the Guaranty, the Subordination Agreement and the Construction Document Assignments.
 - l. Construction Document Assignments: together the Assignment of Architect Contract and Assignment of Construction Contract.
 - m. County: St. Louis County, Minnesota.
 - n. DEED: the Minnesota Department of Employment and Economic Development.
 - o. Disbursing Agreement: the Disbursing Agreement dated July 15, 2014, entered into between the Borrower, the Purchaser and Title Company.
 - p. Documents: the Loan Agreement, the Assignment Agreement, the Collateral Documents and other documents required for the issuance of the Note.
 - q. Guaranty: the Guaranty Agreement, dated as July 15, 2014, from the School to the Purchaser, including any amendments thereof or supplements thereto.
 - r. Issuer: the Housing and Redevelopment Authority of St. Louis County, a municipal corporation and political subdivision public body corporate and politic of the State.
 - s. Issuer Documents: collectively, the Loan Agreement and the Assignment Agreement.

- t. Loan Agreement: the Amended and Restated Loan Agreement to be entered into between the Issuer and the Borrower and acknowledged by the Purchaser, pursuant to which the Borrower agrees to repay the loan made thereunder in specified amounts and at specified times sufficient to pay in full when due the principal of, premium, if any, and interest on the Note.
- u. Mortgage: the Amended and Restated Mortgage, Security Agreement, Fixture Financing Statement and Assignment of Leases and Rents from the Borrower to the Purchaser, pursuant to which the Borrower will secure its obligations with respect to the Note under the Loan Agreement, including the payment of amounts due under the Loan Agreement, by granting to the Purchaser a first mortgage interest in the property described therein.
- v. Note: the Issuer's Lease Revenue Note (North Shore Community School Project), Series 2014 authorized hereunder, whether one or more.
- w. Pledge and Covenant Agreement: the Pledge and Covenant Agreement, dated as of July 15, 2014, made by the School for the benefit of Purchaser.
- x. Project: constructing and equipping an approximately 10,000 square foot addition to an existing kindergarten through sixth grade charter school facility located at 5926 Ryan Road, Duluth, Minnesota and also to pay a portion of the costs associated with the financing.
- y. Purchaser: North Shore Bank of Commerce, a Minnesota banking corporation, with an office located in Duluth, Minnesota, its successors and assigns.
- z. Registrar: bond registrar and transfer agent for the Note.
- aa. School: North Shore Community School, a Minnesota nonprofit corporation, its successors and assigns.
- bb. State: the State of Minnesota.
- cc. Subordination Agreement: the Subordination, Non-Disturbance and Attornment Agreement, dated as of July 15, 2014, between the School and Purchaser.
- dd. Title Company: First American Title Insurance Company, Inc., d/b/a Consolidated Title & Abstract Company.

Section 2. Recitals.

- a. An initial resolution was adopted by the Board on July 1, 2014, scheduling a public hearing on the proposed issuance of revenue obligations, in one or more series, in an amount not to exceed \$3,300,000 to finance the Project with respect to the Borrower.
- b. A Notice of Public Hearing was published in the *Duluth News Tribune*, the Issuer's official newspaper, and a newspaper of general circulation, calling a public hearing on the proposed issuance of the Note and the proposal to undertake and finance the Project.
- c. The Issuer has on August 5, 2014, held a public hearing on the Project and the financing thereof, and persons in attendance wishing to speak on the Project and financing thereof, if any, were given an opportunity to do so at the hearing.
- d. Drafts of the Documents have been submitted to the Issuer and are on file in the office of the Executive Director.

- e. The Issuer has been advised by representatives of the Borrower that: (i) conventional financing to pay the capital cost of the Project is available only on a limited basis and at such high costs of borrowing that the economic feasibility of its operations would be significantly reduced; (ii) on the basis of information submitted to the Borrower and their discussions with representatives of area financial institutions and potential buyers of tax-exempt bonds, the Note could be issued and sold upon favorable rates and terms to finance the Project; and (iii) the Project would not be undertaken in its present form but for the availability of financing under the Act.
- f. The Borrower has agreed to pay any and all costs incurred by the Issuer in connection with the issuance of the Note, whether or not such issuance is carried to completion.
- g. The Borrower has represented to the Issuer that no public official of the Issuer has either a direct or indirect financial interest in the Project nor will any public official either directly or indirectly benefit financially from the Project.

Section 3. Findings. The Board finds, determines and declares as follows:

- a. The welfare of the State requires the provision of necessary educational facilities so that adequate educational services are available to residents of the State at reasonable cost.
- b. The Issuer desires to facilitate the selective development of the State and help to provide the range of services and employment opportunities required by the population. The Project will assist the State in achieving those objectives; help to stabilize market valuation of the State; help maintain a positive relationship between assessed valuation and debt; and enhance the image and reputation of the State.
- c. On the basis of information made available to this Issuer by the Borrower it appears, and this Issuer finds, that: (1) the Project constitutes personal properties, used or useful in connection with a revenue producing enterprise; (2) the Project furthers the purposes stated in such sections a. and b. above; (3) the Project would not be undertaken but for the availability of financing under the Act and the willingness of the Issuer to furnish such financing; and (4) the effect of the Project, if undertaken, will be to: (i) encourage the development of economically sound industry and commerce, (ii) help prevent chronic unemployment, (iv) provide the range of service and employment opportunities required by the population, (v) help prevent the movement of talented and educated persons out of the State where their services may not be as effectively used, (vi) promote more intensive development and appropriate use of land within the State, eventually to increase the tax base of the State; and (vii) provide adequate educational services to residents of the State at a reasonable cost.

Section 4. The Note.

- a. In order to provide for the financing of the Project, the Issuer determines, based on representations of the Borrower, that the offer of the Purchaser to purchase the Note in an original aggregate principal amount of not to exceed \$3,300,000, at the

interest rate of not to exceed 4.5% per annum, and upon the terms and conditions hereafter specified and specified in the Note is reasonable and is accepted and the issuance of the Note is approved. The Issuer will loan the proceeds of the Note to the Borrower in order to finance the Project.

- b. The loan repayments to be made by the Borrower under the Loan Agreement are fixed to produce revenue sufficient to provide for the prompt payment of principal of, premium, if any, and interest on the Note when due.
- c. The Note shall be in substantially the form submitted to the Board, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution, and in accordance with the further provisions hereof as may be necessary and appropriate and approved by Bond Counsel and the Borrower prior to the execution thereof; and shall mature in the years and amounts, be subject to redemption and bear interest at the rate as therein specified.
- d. The Note shall be executed on behalf of the Issuer by the signatures of its Authorized Officers. The seal of the Issuer may be omitted as allowed by law.

Section 5. Approval and Execution of Documents.

- a. The Issuer Documents are made a part of this Resolution as though fully set forth herein and are approved in substantially the forms on file with the Board. The Authorized Officers are authorized and directed to execute, acknowledge and deliver the Issuer Documents on behalf of the Issuer with such changes, insertions and omissions therein as the Issuer's attorney may hereafter deem appropriate, such execution by the Authorized Officers to be conclusive evidence of approval of such documents in accordance with the terms hereof.
- b. The Authorized Officers are authorized and directed to execute and deliver all other documents which may be required under the terms of the Issuer Documents or the Note or by Bond Counsel, and to take such other action as may be required or deemed appropriate for the performance of the duties imposed thereby to carry out the purposes thereof.

Section 6. Proceedings; Absent or Disabled Officers.

- a. The Authorized Officers and other officers of the Issuer and members of the Board are authorized to furnish certified copies of this Resolution and all proceedings and records of the Issuer relating to the Note, and such other affidavits and certificates as may be required to show the facts relating to the Issuer respecting the Note, as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements contained therein.
- b. If for any reason the Authorized Officers, any officer of the Issuer, members of the Board, employee or agent of the Issuer authorized to execute certificates, instruments or other written documents on behalf of the Issuer shall for any reason cease to be an officer, employee or agent of the Issuer after the execution

by such person of any certificate, instrument or other written document, such fact shall not affect the validity or enforceability of such certificate, instrument or other written document.

- c. If for any reason the Authorized Officers, any officer of the Issuer, member of the Issuer, employee or agent of the Issuer authorized to execute certificates, instruments or other written documents on behalf of the Issuer shall be unavailable to execute such certificates, instruments or other written documents for any reason, such certificates, instruments or other written documents may be executed by a deputy or assistant to such officer, or by such other officer of the Issuer as in the opinion of the Issuer's attorney is authorized to sign such document and do all things and execute all instruments and documents required to be done or executed by such officers, with full force and effect, which executions or acts shall be valid and binding on the Issuer.

Section 7. Registration.

- a. Registered Form. The Note shall be issued only in fully registered form. The Note shall be numbered R-1 and upward in denominations specified by the Purchaser.
- b. Registration, Transfer and Exchange. The Issuer appoints the St. Louis County Auditor as Registrar. The effect of registration and the rights and duties of the Issuer with respect thereto are as follows:
 - i. *Register.* The Registrar must keep a bond register for the Note in which the Registrar provides for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.
 - ii. *Transfer of Note.* Subject to the provisions of clause x of this subsection, upon surrender for transfer of a Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar will authenticate and deliver, in the name of the designated transferee, one new note in an aggregate principal amount equal to the then outstanding principal amount of the Note so surrendered and of like maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the 15th day of the month preceding each interest payment date and until such interest payment date.
 - iii. *Issuance of New Note.* Subject to the provisions of clause x of this subsection, the Issuer shall, at the request and expense of the Purchaser, issue a new note in aggregate outstanding principal amount equal to that of the Note surrendered, and of like tenor except as to number, principal amount and the amount of the monthly installments payable thereunder, and registered in the name of the Purchaser or such transferee as may be designated by the Purchaser.

- iv. *Exchange of Note.* When a Note is surrendered by the registered owner for exchange the Registrar will authenticate and deliver one new note in an aggregate principal amount equal to the then outstanding principal amount of the Note surrendered and of like maturity, as requested in writing by the registered owner or the owner's attorney.
- v. *Cancellation.* A Note surrendered upon any transfer or exchange will be promptly canceled by the Registrar and thereafter disposed of as directed by the Issuer.
- vi. *Improper or Unauthorized Transfer.* When a Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the Note so presented until the Registrar is satisfied that the endorsement on the Note or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar will incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.
- vii. *Persons Deemed Owners.* The Issuer and the Registrar may treat the person in whose name a Note is registered in the bond register as the absolute owner of the Note, whether the Note is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the Note and for all other purposes, and payment so made to a registered owner or upon the owner's order will be valid and effectual to satisfy and discharge the liability upon the Note to the extent of the sum or sums so paid.
- viii. *Taxes, Fees and Charges.* For a transfer or exchange of a Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to the transfer or exchange.
- ix. *Mutilated, Lost, Stolen or Destroyed Note.* If a Note becomes mutilated or is destroyed, stolen or lost, the Registrar will deliver a new Note of like amount, number, maturity date, redemption privilege and tenor in exchange and in substitution for and upon cancellation of the mutilated Note or in lieu of or in substitution for any Note destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar and Issuer in connection therewith; and, in the case of a Note destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to the Registrar that the Note was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar and Issuer of an appropriate bond or indemnity in form, substance and amount satisfactory to it and as provided by law, in which both the Issuer and the Registrar must be named as obligees. A Note so surrendered to the Registrar will be canceled by the Registrar. If the mutilated, destroyed, stolen or lost Note has already matured or been called for redemption in accordance with its terms it is not necessary to issue a new Note prior to payment.

- x. *Limitation on Transfers.* The Note has been issued without registration under state or other securities laws, pursuant to an exemption for such issuance; and accordingly a Note may not be assigned or transferred in whole or part, nor may a participation interest in a Note be given pursuant to any participation agreement, except in accordance with an applicable exemption from such registration requirements. In no event may any participation interest in a Note be in an initial principal amount of less than \$100,000.

Section 8. General Covenants.

- a. *Payment of Principal and Interest.* The principal of and interest on the Note are payable solely from and secured by revenues and proceeds derived from the Issuer Documents, which revenues and proceeds are specifically pledged to the payment thereof in the manner and to the extent specified herein and in the Note and the Documents; and nothing in the Note or in this Resolution shall be considered as assigning, pledging or otherwise encumbering any other funds or assets of the Issuer.
- b. *Limitation of Liability.* No agreement, covenant, or obligation contained in this Resolution or in the above-referenced documents shall be deemed to be an agreement, covenant or obligation of any member of the Board, or of any officer, employee or agent of the Issuer in that person's individual capacity. Neither the members of the Board, nor any officers executing the Note, shall be liable personally on the Note or be subject to any personal liability or accountability by reason of the issuance of the Note.
- c. *Nature of Security.*
 - i. The Note will be a special limited obligation of the Issuer.
 - ii. Notwithstanding anything contained in the Note or the Documents or any other document referred to herein to the contrary, under the provisions of the Act the Note may not be payable from or be a charge upon any funds of the Issuer other than the revenues and proceeds pledged to the payment thereof, nor shall the Issuer be subject to any liability thereon, nor shall the Note otherwise contribute or give rise to a pecuniary liability of the Issuer or any of its officers, employees and agents. Accordingly, the Note shall not be payable from or charged upon any funds other than the revenues pledged to the payment thereof, nor shall the Issuer be subject to any liability thereon.
 - iii. No holder of the Note shall ever have the right to compel any exercise of the taxing power of the Issuer to pay the Note or the interest thereon, or to enforce payment thereof against any property of the Issuer, other than the revenues pledged under the Assignment Agreement; and the Note shall not constitute a charge, lien or encumbrance, legal or equitable, upon any funds, assets or property of the Issuer, other than revenues under the Loan Agreement; and the Note shall not constitute a debt of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness.

The Note will not constitute or give rise to an indebtedness, a pecuniary liability, a moral or general obligation or a loan of the credit of the Issuer or a charge, lien or encumbrance, legal or equitable, against the Issuer's property (other than revenues under the Loan Agreement), general credit or taxing powers and neither the full faith and credit nor the taxing powers of the Issuer are pledged for the payment of the Note or interest thereon.

Section 9. Offering and Disclosure Materials. The Issuer has not participated in the preparation of or reviewed any offering or disclosure materials with respect to the offer and sale of the Note and the Issuer makes no representations or warranties regarding the necessity, sufficiency, accuracy, fairness, completeness or adequacy of any disclosure with respect to such offer and sale.

Section 10. Subject to DEED Approval.

- a. Notwithstanding anything in this Resolution to the contrary, delivery of the Note is subject to and contingent upon the receipt of approval of the Project by DEED.
- b. The Executive Director, or her designee, is authorized and directed to submit the proposal for the Project to DEED requesting approval, and other officers, employees and agents of the Issuer are authorized to provide DEED with such information as it may require.

Section 11. Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or paragraphs in this Resolution contained shall not affect the remaining portions of this Resolution or any part thereof.

Section 12. Effective Date. This resolution shall take effect immediately.

Unanimously adopted August 5, 2014.

HRA RESOLUTION No. 14-187

RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING AND REDEVELOPMENT AUTHORITY OF ST. LOUIS COUNTY, MINNESOTA; ESTABLISHING A POST-ISSUANCE DEBT COMPLIANCE POLICY

BE IT RESOLVED, by the governing body (the "Board of Commissioners") of the Housing and Redevelopment Authority of St. Louis County (the "HRA"), as follows:

Section 1. Recitals.

1.01. The HRA is, from time to time, the issuer of tax-exempt obligations both for its own projects and the projects of private businesses, including but not limited to private businesses which are nonprofit organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

1.02. Fryberger, Buchanan, Smith & Frederick, P.A., bond counsel to the HRA (“Bond Counsel”) has informed the Board of Commissioners and its staff that:

(a) for interest payable on obligations to be excluded from gross income for federal income tax purposes (“Tax-Exempt Obligations”) various requirements of the Code must be satisfied;

(b) examples of these requirements include public hearings, limits on payment of issuance costs and working capital costs financed by the Tax-Exempt Obligations and other limitations on the use and investment of proceeds of Tax-Exempt Obligations;

(c) one of the specific requirements of the Code applicable to Tax-Exempt Obligations is submission to the Internal Revenue Service (“IRS”) not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Tax-Exempt Obligations are issued of a statement concerning the Tax-Exempt Obligations which contains certain factual information about the Tax-Exempt Obligations; and

(d) the factual information is submitted on forms prescribed by the IRS, the series of such forms designated with the number “8038” and applicable letters (the “Information Return Forms”).

1.03. Bond Counsel has further informed the Board of Commissioners and its staff that recent amendments to the Information Return Forms require the issuer of Tax-Exempt Obligations to respond to the following questions:

(a) “Check the box if the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated in accordance with the requirements under the Code and Regulations.”

(b) “Check the box if the issuer has established written procedures to monitor the requirements of Section 148.”

1.04. Bond Counsel has recommended that the HRA adopt written procedures which would allow the “boxes” referred to in subsection 1.03 to be checked.

1.05. St. Louis County, Minnesota (the “County”), has by Resolution No. 535 adopted November 9, 2010, approved a “Post-Issuance Debt Compliance Policy” relating to compliance and monitoring of federal requirements applicable to Tax-Exempt Obligations, a copy of which is attached hereto as Exhibit A (the “County Policy”). The County Policy does not address conduit Tax-Exempt Obligations.

1.06. Bond Counsel has recommended that the HRA adopt the County Policy as the HRA’s policy by adopting this resolution.

Section 2. Approval of Compliance Policy.

2.01. The County Policy is made a part of this Resolution as though fully set forth herein and is approved in substantially the form presented to the Board of Commissioners, subject to the following:

(a) in interpreting the County Policy for use by the HRA, references to the Issuer therein shall be deemed to refer to the HRA; and

(b) in interpreting the County Policy for use by the HRA, references to the Compliance Officer therein shall be deemed to refer to the Executive Director of the HRA.

2.02 The County Policy as modified and approved in Section 2.01 is referred to herein as the "SLCHRA Post-Issuance Debt Compliance Policy."

2.03 The Board of Commissioners amends the SLCHRA Post-Issuance Debt Compliance by adding and incorporating the following as paragraph 7:

7. Post-Issuance Debt Compliance Policy for Conduit Tax-Exempt Obligations.

a. *Statement of Purpose.* Since the HRA primarily issues conduit obligations, this paragraph is adopted by the HRA. Tax-Exempt Obligations that are issued for the purpose of making loans to entities other than state or local governments are commonly referred to as "conduit bonds" or "conduit issues" and state or local governments which issue these bonds are commonly referred to as "conduit issuers." A conduit issuer in a conduit bond financing issues the bonds and loans the bond proceeds to a "conduit borrower." A conduit borrower is responsible for the payment of debt service on the conduit bond issue and is usually contractually obligated to maintain the tax-exempt status of the bonds. The conduit issuer is treated as a "taxpayer" for federal tax purposes and procedures. As such, the conduit issuer is the party generally responsible for tax compliance. However, the bond documents should provide for delegation of certain responsibilities to the conduit borrower.

b. *Procedures Applicable to Conduit Tax-Exempt Obligations of the HRA.* In the event the HRA agrees to issue conduit Tax-Exempt Obligations, the HRA will require the conduit borrower to agree to the following in the documents for the conduit Tax-Exempt Obligations as a condition to the HRA issuing the conduit Tax-Exempt Obligations, it being the HRA's intent that each conduit borrower bears the full burden of compliance with the Code and Treasury Regulations applicable to its related conduit Tax-Exempt Obligations:

i. The conduit borrower shall covenant in the applicable documents for the conduit Tax-Exempt Obligations to comply with all applicable requirements of the Code and Treasury Regulations, including, but not limited to: (A) the arbitrage and rebate requirements of Section 148 of the Code; and (B) the qualified bonds provisions of Sections 141(e), 142, 143, 144 and 145 of the Code. The conduit borrower shall be the party solely responsible for monitoring the conduit Tax-Exempt Obligations for compliance with such requirements and to remediate nonqualified Tax-Exempt Obligations in accordance with the requirements of the Code and applicable Treasury Regulations. The conduit borrower shall also be the party responsible for monitoring compliance with the requirements of Section 148 of the Code.

ii. The conduit borrower shall covenant in the applicable documents for the conduit Tax-Exempt Obligations to reimburse the HRA for all costs paid or incurred by the HRA (including the fees of attorneys, financial advisors, accountants and other advisors) as a result of the HRA's response to or compliance with an audit, inspection, or compliance check (random or otherwise), by the IRS, the State of Minnesota or any agency or department thereof, or any other governmental agency with respect to the conduit Tax-Exempt Obligations or the project financed with the proceeds of the conduit Tax-Exempt Obligations.

iii. The conduit borrower shall covenant in the applicable documents for the conduit Tax-Exempt Obligations to provide all the information necessary for the HRA to comply with its obligations applicable to the conduit Tax-Exempt Obligations under this policy, the Code and Treasury Regulations, including the information necessary for the HRA to complete and file an IRS Form 8038 for the conduit Tax-Exempt Obligations and any information about the conduit Tax-Exempt Obligations which may be required by the HRA's outside auditors.

iv. One or more authorized representatives of the conduit borrower must, in good faith, certify the conduit borrower's reasonable expectations as of the issue date of the conduit Tax-Exempt Obligations as to the use and investment of the proceeds of the conduit Tax-Exempt Obligations. The certification must state the facts and estimates that form the basis of the conduit borrower's expectations.

v. The conduit borrower shall, in the applicable documents for the conduit Tax-Exempt Obligations, designate a person to be contacted regarding the matters discussed in this policy.

c. *Issuer Requirements.*

i. Limitations Relating to Fees Charged by the HRA. The HRA charges an administrative fee payable either out of the proceeds of the Tax-Exempt Obligations or by the conduit borrower. The fee is used by the HRA to offset all or a portion of the costs payable by the HRA related to its role as a conduit issuer and is also used to raise funds for governmental purposes of the HRA. The fees may increase the effective yield of the conduit loan. Section 148 of the Code generally limits the yield on the conduit loan to the yield on the conduit Tax-Exempt Obligations plus a spread. This limitation effectively limits the size of the fees that may be charged by the HRA regardless of whether paid periodically or up front. The Compliance Officer shall direct bond counsel to require that the conduit borrower provides the information necessary to ensure that the yield on the conduit loan does not exceed the yield on the conduit Tax-Exempt Obligations by more than the permitted spread in order to prevent the conduit Tax-Exempt Obligations from becoming taxable.

ii. Certification Regarding Expectations for Use and Investment of Proceeds. Based solely on a certification of the conduit borrower prepared by bond counsel to the HRA and described above, an officer of the HRA responsible for issuing the conduit Tax-Exempt Obligations will, in good faith, certify the HRA's reasonable expectations as of the issue date of the conduit Tax-Exempt Obligations. The certification is evidence of the HRA's expectations, but does not establish any conclusions of law or any presumptions regarding either the HRA's actual expectations or their reasonableness.

iii. Due Diligence. The HRA intends to rely on due diligence examinations conducted by bond counsel in conjunction with giving an approving opinion on the conduit Tax-Exempt Obligations.

d. *Deliberate and Remedial Actions*.

i. Deliberate Actions. Conduit Tax-Exempt Obligations issued by the HRA can lose their tax-exempt status if the HRA or the conduit borrower takes a deliberate action, subsequent to the issue date, that causes the conduit Tax-Exempt Obligations to fail to meet the federal tax requirements applicable to the conduit Tax-Exempt Obligations. A deliberate action is any action taken by the HRA or the conduit borrower that is within its control. Intent to violate the requirements of the Code is not necessary for an action to be deliberate. It is unlikely that the HRA will take such a deliberate action. The conduit borrower shall covenant in the applicable documents for the conduit Tax-Exempt Obligations to comply with all applicable requirements of the Code and Treasury Regulations, and pay any costs incurred by the HRA in the event a deliberate action of the conduit borrower must be remediated as described below.

ii. Remedial Actions. If a remedial action is required with respect to an issue of conduit Tax-Exempt Obligations, the HRA must be involved. The remedial action is taken pursuant to Section 1.141-12 of the Treasury Regulations to cure a deliberate action that would otherwise cause a qualified 501(c)(3) bond to become a nonqualified private activity bond issue. If the remedial action requires providing a notice of defeasance to the IRS, such notice must be provided by the HRA. Remedial actions include redemption or defeasance of conduit Tax-Exempt Obligations, alternative use of disposition proceeds and alternative use of bond-financed facilities. Additionally, if previously issued conduit Tax-Exempt Obligations are treated as a new issue, or “reissued” under the Treasury regulations, the HRA must test the reissued conduit Tax-Exempt Obligations to determine if the interest on the conduit Tax-Exempt Obligations remains exempt from gross income for federal tax purposes. The conduit borrower shall covenant in the applicable documents for the conduit Tax-Exempt Obligations to comply with all applicable requirements of the Code and Treasury Regulations, and if a remedial action is necessary to pay all costs associated with such remedial action. The HRA shall also consult with bond counsel to determine whether the remedial action proposed by the conduit borrower is sufficient, including participation in the Voluntary Closing Agreement Program of the IRS (VCAP).

iii. Modifications. An agreement between a bondholder and the HRA (or conduit borrower) to modify the terms of any conduit Tax-Exempt Obligations, whether direct or indirect, may cause the modified conduit Tax-Exempt Obligations to be treated as new conduit Tax-Exempt Obligations for federal income tax purposes (that is, to be “reissued”). If the conduit Tax-Exempt Obligations are considered reissued under Section 1001 of the Code, then in general the conduit Tax-Exempt Obligations must be tested to determine if the interest on the conduit Tax-Exempt Obligations remains exempt from gross income for federal tax purposes. Revenue Ruling 81-281, 1981-2 C.B. 18 provides that interest on tax-exempt conduit Tax-Exempt Obligations is not excludable from gross income after the terms of the conduit Tax-Exempt Obligations are substantially altered without action by the HRA. In general, the HRA may meet this requirement to approve reissued conduit Tax-Exempt Obligations by adopting a formal resolution of the HRA approving the modification of the terms. In addition, the HRA

must satisfy all applicable federal tax requirements including timely filing Form 8038, treating the date of the modification as the date of issuance of the modified conduit Tax-Exempt Obligations. The HRA shall consult with bond counsel immediately upon a conduit borrower's request for a modification of any conduit Tax-Exempt Obligations. All costs of any modification must be paid by the conduit borrower.

e. *Recordkeeping.*

i. The Compliance Officer is responsible for maintaining records related to conduit Tax-Exempt Obligations of the HRA.

ii. The following records shall be maintained for each outstanding issue of Obligations for the term of the issue plus three years: basic records relating to the transaction, including the trust indenture, loan, lease or other financing agreement, the relevant IRS Form 8038 with proof of filing, and bond counsel opinion (such documents may be held in the form of a transcript of proceedings for the Tax-Exempt Obligations).

f. *IRS Examination of Conduit Issues.* The Compliance Officer will notify the conduit borrower and bond counsel immediately upon the receipt of any correspondence from the IRS regarding the conduit Tax-Exempt Obligations.

g. *Summary, Procedures for Closing and Pre-Closing Matters.* The chart below, prepared by the IRS, identifies certain types of monitoring procedures the HRA may require a conduit borrower to adopt to ensure compliance with the federal tax rules required to be satisfied at, prior to or after the closing of the conduit Tax-Exempt Obligations. The Compliance Officer shall consult with bond counsel on a case by case basis to determine which monitoring procedures are required for each issue of conduit Tax-Exempt Obligations.

Type of Procedures	Description of Procedures for Closing and Pre-Closing Matters	Applicable Responsibilities Described Above
Volume Cap	Procedures to monitor utilization of volume cap, including carryforward elections	Volume Cap Limit Carryforward of Unused Volume Cap
Public Approval	Procedures concerning public hearings conducted by the HRA and any approvals by the HRA	Limitations Relating to Fees Charged by the Conduit Issuer
Issuer Fees	Procedures to ensure that Issuer fees do not exceed applicable limits in the Code and Treasury Regulations	Limitations Relating to Fees Charged by the Conduit Issuer
Closing Certificates	Due diligence procedures to ensure that certifications are reasonable	Certification Regarding Expectations for Use and Investment of Proceeds
Official Intent	Procedures to ensure that reimbursement resolutions conform to the requirements of Treasury Regulations	Reimbursement Declarations of Official Intent
Qualified Hedge	Procedures to timely identify qualified hedges	Qualified Hedge
Elections	Procedures for federal income tax elections	Elections

Unanimously adopted August 5, 2014.

At 1:54 p.m., August 5, 2014, Commissioner Nelson, supported by Commissioner Forsman, moved to adjourn the meeting. The motion passed; seven yeas, zero nays.

A handwritten signature in black ink, appearing to read "Steve Raukar", written over a horizontal line.

Steve Raukar, Chair of the St. Louis County HRA

A handwritten signature in black ink, appearing to read "Phil Chapman", written over a horizontal line.

Phil Chapman, Deputy Auditor/Clerk of the County Board