DOCUMENT NO. 14

TAX COMPLIANCE CERTIFICATE

MINNESOTA PUBLIC FACILITIES AUTHORITY
$91,000,000
Taxable State Revolving Fund Revenue Bonds
(Build America Bonds – Direct Pay)
Series 2010D

November 18, 2010

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MINNESOTA PUBLIC FACILITIES AUTHORITY

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Taxable State Revolving Fund Revenue Bonds
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In connection with the issuance by the Minnesota Public Facilities Authority (the "Authority") of its $91,000,000 aggregate principal amount, Taxable State Revolving Fund Revenue Bonds, Series 2010D Bonds (the "Series 2010D Bonds"), all dated November 18, 2010, as the date of original issue, in furtherance of the representations contained herein, and pursuant to Reg. § 1.148-2(b)(2), the Authority executes this Tax Compliance Certificate certifying in good faith its expectations with respect to the Series 2010D Bonds.

SECTION 1. DEFINITIONS. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth below or in the Resolution or the Regulations (as defined below).

Accounting Method shall mean both the overall method used to account for the Gross Proceeds of the Series 2010D Bonds (*e.g.*, the cash method or a modified accrual method) and the method used to account for or allocate any particular item within that overall accounting method (*e.g.*, accounting for investments, expenditures, allocations to and from different sources and particular items of the foregoing).

Act shall mean Minnesota Statutes, Chapter 446A, as the same may from time to time be amended and supplemented.

Arbitrage Rebate Account shall mean the accounts established pursuant to the Resolution to segregate amounts to be used to pay the Rebate Amount and/or Yield Reduction Amount from all other moneys.

Authority shall mean the Minnesota Public Facility Authority, the issuer of the Series 2010D Bonds.

***Bona Fide* Debt Service Fund** shall mean a fund, which may include proceeds of the Series 2010D Bonds, that is used primarily to achieve a proper matching of revenues and principal and interest payments within each Bond Year and that is depleted at least once a year except for a reasonable carryover amount (not to exceed the greater of (A) the earnings on the fund for the immediately preceding Bond Year, or (B) one-twelfth of the principal and interest payments for the immediately preceding Bond Year). *Bona Fide* Debt Service Fund includes the Revenue Account and Debt Service established pursuant to the Resolution.

Bond Funded Loans shall mean loans funded from the proceeds of the Series 2010D Bonds.

Bond Tax Counsel shall mean Briggs and Morgan, Professional Association, or another law firm, appointed by the Attorney General of the State of Minnesota, having a national reputation in the field of municipal law, whose opinions with respect to the exclusion of interest on state or local governmental obligations from gross income for purposes of federal income taxation are generally accepted by purchasers of state and local governmental obligations.

Bond Year means, in connection with the calculation of the Rebate Amount, each 1-year period that ends on the day that is selected by the Authority. The first and last Bond Years may be short periods. Pursuant to the Resolution, the Authority selects March 1 to be the end of each Bond Year.

Borrower shall have the meaning set forth in the Resolution and shall initially, for purposes of this Tax Compliance Certificate, consist of those Borrowers listed in the Verification Report as to the Series 2010D Bonds.

Clean Water Prior Bonds shall mean bonds issued by the Authority for its Clean Water Program through the Clean Water Prior Bond Resolution.

Clean Water Prior Bond Resolution shall mean the Amended and Restated Basic Bond Resolution, adopted by the Authority on June 6, 1991, as amended and supplemented, and including series resolutions adopted pursuant thereto.

Code shall mean the Internal Revenue Code of 1986, as in effect on the Delivery Date, the applicable Regulations promulgated thereunder and any administrative or judicial interpretations of the same published in a form upon which the Authority may rely as a matter of law.

Commingled Fund shall mean any commingled fund or account containing both Gross Proceeds of the Series 2010D Bonds and amounts in excess of $25,000 that are not Gross Proceeds of the Series 2010D Bonds if the amounts in the commingled fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the commingled fund or account. An open-end regulated investment company under Code Section 851, however, is not a commingled fund.

Computation Date shall mean an Installment Computation Date, the Final Computation Date or any such earlier Computation Date as may be selected by the Authority.

Consistently Applied shall mean applied uniformly within a fiscal period and between fiscal periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

Current Outlay of Cash shall mean an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

Delivery Date shall mean November 18, 2010, the date on which the Authority receives the purchase price in exchange for delivery of the Series 2010D Bonds and interest begins to accrue on the Series 2010D Bonds for federal income tax purposes.

De minimis Amount means -

(i) In reference to original issue discount (as defined in Section 1273(a)(1) of the Code) or premium on an obligation -

(A) An amount that does not exceed 2% multiplied by the stated redemption price at maturity; plus

(B) Any original issue premium that is attributable exclusively to reasonable underwriters' compensation; and

(ii) In reference to market discount (as defined in Section 1278(a)(2)(A) of the Code) or premium on an obligation, an amount that does not exceed 2% multiplied by the stated redemption price at maturity.

Drinking Water Prior Bonds shall mean bonds issued by the Authority for its Drinking Water Program through the Drinking Water Prior Bond Resolution.

Drinking Water Prior Bond Resolution shall mean the Basic Bond Resolution adopted by the Authority on Jun 15, 1999, as amended and supplemented, and including series resolutions adopted pursuant thereto.

Fair Market Value shall mean the price at which a willing buyer would purchase an Investment from a willing seller in a *bona fide*, arm's-length transaction. Fair Market Value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (*i.e.*, the trade date rather than the settlement date). Except as otherwise provided in this definition, an Investment that is not of a type traded on an established securities market (within the meaning of Section 1273 of the Code), is rebuttably presumed to be acquired or disposed of for a price that is not equal to its Fair Market Value. The Fair Market Value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price. The following guidelines shall apply for purposes of determining the Fair Market Value of the obligations described below:

(i) **Certificates of Deposit**. The purchase of certificates of deposit with fixed interest rates, fixed payment schedules and substantial penalties for early withdrawal will be deemed to be an Investment purchased at its Fair Market Value on the purchase date if the yield on the certificate of deposit is not less than:

(A) the yield on reasonably comparable direct obligations of the United States; and

(B) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(ii) **Guaranteed Investment Contracts ("GIC") and Investments Purchased for a Yield Restricted Defeasance Escrow.** The purchase price of a GIC and the purchase price of an Investment purchased for a yield restricted defeasance escrow will be treated as the Fair Market Value of the Investment on the purchase date if:

(A) The Authority makes a *bona fide* solicitation for the purchase of the Investment. A *bona fide* solicitation satisfies all of the following requirements:

(1) The bid specifications are in writing and are timely forwarded to potential providers;

(2) The bid specifications include all material terms of the bid. A term is material if it may directly or indirectly affect the yield or the cost of the investment;

(3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Authority or any other person (whether or not in connection with the bond issue), and that the bid is not being submitted solely as a courtesy to the Authority or any other person;

(4) The terms of the bid specifications are commercially reasonable. A term is commercially reasonable if there is a legitimate business purpose for the term other than to increase the purchase price or reduce the yield of the investment;

(5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the Authority's reasonably expected deposit and drawdown schedule for the amounts to be invested;

(6) All potential providers have an equal opportunity to bid. For example, no potential provider is given the opportunity to review other bids (*i.e.*, a last look) before providing a bid;

(7) At least three reasonably competitive providers are solicited for bids. A reasonably competitive provider is a provider that has an established industry reputation as a competitive provider of the type of investments being purchased.

(B) The bids received by the Authority meet all of the following requirements:

(1) The Authority received at least three bids from providers that the Authority solicited under a *bona fide* solicitation and that do not have a material financial interest in the Series 2010D Bonds. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the Bonds until 15 days after the issue date of the Series 2010D Bonds. In addition, any entity acting as a financial advisor with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the Series 2010D Bonds. A provider that is a related party to a provider that has a material financial interest in the Series 2010D Bonds is deemed to have a material financial interest in the Series 2010D Bonds;

(2) At least one of the three bids is from a reasonably competitive provider;

(3) If the Authority uses an agent to conduct the bidding process, the agent did not bid to provide the investment;

(C) The winning bid meets the following requirements:

(1) **GIC.** If the investment is a GIC, the winning bid is the highest yielding *bona fide* bid (determined net of any broker's fees);

(2) **Other investments.** If the investment is not a GIC, the following requirements are met:

(i) The winning bid is the lowest cost *bona fide* bid (including any broker's fees). The lowest cost bid is either the lowest cost bid for the portfolio or, if the Authority compares the bids on an investment-by-investment basis, the aggregate cost of the portfolio comprised of the lowest cost bid for each investment. Any payment received by the Authority from a provider at the time a GIC is purchased (*e.g.*, an escrow float contract) for a yield restricted defeasance escrow under a bidding procedure is taken into account in determining the lowest cost bid;

(ii) The lowest cost *bona fide* bid (including any broker's fees) is not greater than the cost of the most efficient portfolio comprised exclusively of State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt. The cost of the most efficient portfolio at State and Local Government Series Securities is to be determined at the time that bids are required to be submitted pursuant to the terms of the bid specifications;

(iii) If State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt are not available for purchase on the day that bids are required to be submitted pursuant to terms of the bid specifications because sales of those securities have been suspended, the cost comparison of paragraph (C)(2)(ii) of this section is not required;

(D) The provider of the Investments or the obligor on the GIC certifies the administrative costs that it pays (or expects to pay, if any) to third parties in connection with supplying the investment;

(iii) **Recordkeeping Obligations.** The Authority shall retain the following records with the Series 2010D Bond documents until three years after the last outstanding Series 2010D Bond is redeemed:

(A) For purchases of GICs, a copy of the contract, and for purchases of investments other than GICs, the purchase agreement or confirmation;

(B) The receipt or other record of the amount actually paid by the Authority for the Investments, including a record of any administrative costs paid by the Authority, and the certification under section (ii)(D) above;

(C) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results;

(D) The bid solicitation form and, if the terms of the purchase agreement or the GIC deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation. For example, if the Authority purchases a portfolio of investments for a yield restricted requirements of Section 148 of the Code, an investment in the winning bid is replaced with an investment with a lower yield, the Authority must retain a record of the substitution and how the price of the substitute investment was determined. If the

Authority replaces an Investment in the winning bid portfolio with another investment, the purchase price of the new investment is not covered by the safe harbor unless the investment is bid under the bidding procedure requirements; and

(E) For purchases of investments other than GICs, the cost of the most efficient portfolio of State and Local Government Series Securities, determined at the time that the bids were required to be submitted pursuant to the terms of the bid specifications.

Final Computation Date shall mean the date the last bond that is part of the Series 2010D Bonds is discharged.

Future Value shall mean the future value of a Payment or Receipt at the end of any period determined by using the economic accrual method and equals the value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the yield on the issue, using the same compounding interval and financial conventions used to compute that yield.

GIC shall have the meaning assigned it under the definition of "Fair Market Value".

Gross Proceeds shall mean any Proceeds and Replacement Proceeds of the Series 2010D Bonds.

Installment Computation Date shall mean the last day of the fifth Bond Year and each succeeding fifth Bond Year.

Investment Proceeds shall mean any amount actually or constructively received from investing Proceeds of the Series 2010D Bonds.

Investment Property shall mean any investment which is (1) a "security" (as defined in Section 165(g)(2)(A) or (B) of the Code, *i.e.*, a share of stock in a corporation or a right to subscribe for or to receive a share of stock in a corporation), (2) an "obligation" (*i.e.*, any evidence of indebtedness under general federal income tax principles, including time or demand deposits), (3) any annuity contract (as defined in Section 72 of the Code), or (4) any investment-type property (within the meaning of Reg. § 1.148-1), *i.e.*, any property other than property described in clauses (1), (2) or (3) above, that is held principally as a passive vehicle for the production of income. A prepayment for property or services is investment-type property if a principal purpose for prepaying is to receive an investment return from the time the prepayment is made until the time payment otherwise would be made. A prepayment is not investment-type property if (a) the prepayment is made for a substantial business purpose other than investment return and the Authority or Borrowers have no commercially reasonable alternative to the prepayment; or (b) prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the Authority or the Borrowers but who are not beneficiaries of tax-exempt financing; (c) the prepayment is made within 90 days of the reasonably expected date of delivery to the Authority or the Borrowers of all of the property or services for which the payment is made; or (d) prepayments to acquire a supply of natural gas or electricity. The term "Investment Property" shall not include (1) any obligation issued by or on behalf of a state or local governmental unit the interest on which is excluded from gross income under Section 103 of the Code (or any obligation that when issued purported to be excluded from gross income under Section 103 of the Code) (a "tax-exempt bond"), unless (if the Series 2010D Bonds are not "specified private activity bonds") such obligation is a "specified private activity bond" (as defined in Section 57(a)(5)(C) of the Code) *i.e.*, a tax-exempt bond the interest on which is subject to the alternative minimum tax imposed on individuals and corporations; (2) any interest in a "regulated investment company" to the extent that at least 95% of the income to the holder of the interest is interest that is excludable from gross income under Section 103(a) of the Code, unless (if the Series 2010D Bonds are not "specified private activity bonds") such "regulated investment company" invests in tax-exempt bonds which are "specified private activity bonds" to an extent in excess of the percentage permitted by the Internal Revenue Service to enable characterization of interest in such regulated investment company as not constituting Investment Property; (3) any "exempt demand deposit" (demand deposit SLG) (within the meaning of Reg. § 1.150-1(b)); and (4) any qualified temporary investment (within the meaning of Internal Revenue Service Notice 87-22, 1987-10 I.R.B. (March 9, 1987) or successor Regulations) applicable to the Series 2010D Bonds.

Lendable Account shall have the meaning set forth in Section 3.11.

Loans shall mean the loans made to Borrowers from funds on deposit in the Loan Account pursuant to loan agreements and evidenced by promissory notes of the Borrowers.

Master Bond Resolution means the authority's Master Clean water and Drinking Water Bond Resolution originally adopted on January 25, 2010, as amended or supplemented, and including Series Resolution #4 (Resolution No. 10-18) adopted by the Authority on August 9, 2010 and effective on August 10, 2010, together with together series resolutions adopted pursuant thereto.

Master Resolution Bonds means any "Senior Obligations" issued under the Master Bond Resolution, including the Series 2010C Bond.

Net Proceeds shall mean generally the amount received from the sale of the Series 2010D Bonds to the public, including accrued interest, but reduced by underwriters' discount, and shall include the Net Proceeds as set forth in Section 3.1 hereof.

Nonpurpose Investment shall mean any Investment Property which is not acquired with the Gross Proceeds of the Series 2010D Bonds to carry out the governmental purpose for which the Series 2010D Bonds are being issued (within the meaning of Reg. § 1.148-1), *i.e.*, all Investment Property acquired or otherwise allocated to Gross Proceeds of the Series 2010D Bonds other than the Loans acquired with Gross Proceeds under the Loan Agreements.

Payment or **Payments** shall mean any payments that are (i) amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to a commingled fund); (ii) for a Nonpurpose Investment that is first allocated to an issue on a date after it is actually acquired (*e.g.*, an investment that becomes allocable to transferred proceeds or to replacement proceeds) or that becomes subject to the rebate requirement on a date after it is actually acquired (*e.g.*, an investment allocated to a reasonably required reserve or replacement fund for a construction issue at the end of the 2-year spending period), the value of that investment on that date; (iii) for a Nonpurpose Investment that was allocated to an issue at the end of the preceding computation period, the value of that investment at the beginning of the computation period; (iv) on the last day of each bond year during which there are amounts allocated to gross proceeds of an issue that are subject to the rebate requirement, and on the final maturity date, a computation credit of $1,000; and (v) yield reduction payments on Nonpurpose Investments made pursuant to Reg. § 1.148-5(c).

Plain Par Investment means an investment that is an obligation -

(i) Issued with not more than a De minimis Amount of original issue discount or premium, or, if acquired on a date other than the issue date, acquired with not more than a De minimis Amount of market discount or premium;

(ii) Issued for a price that does not include accrued interest other than preissuance accrued interest;

(iii) That bears interest from the issue date at a single, stated, fixed rate or that is a variable rate debt instrument under Section 1275 of the Code, in each case with interest unconditionally payable at least annually; and

(iv) That has a lowest stated redemption price that is not less than its outstanding stated principal amount.

Prepayments shall have the meaning given such term in the Resolution.

Prior Bonds shall collectively mean the Clean Water Prior Bonds and the Drinking Water Prior Bonds.

Prior Bond Resolutions shall collectively mean the Clean Water Prior Bond Resolution and the Drinking Water Prior Bond Resolution.

Proceeds shall mean any Sale Proceeds and any Investment Proceeds of the Series 2010D Bonds.

Program shall mean the Authority's revolving fund program, which provides loan financing for certain costs of wastewater treatment facilities, other environmental infrastructure and public drinking water supplies undertaken by the Borrowers.

Project or **Projects** shall generally mean those particular wastewater treatment system projects and other environmental infrastructure projects being financed or refinanced by the Borrowers with proceeds of the Loans described in the application packages and Loan Agreements submitted by the Borrowers.

Purpose Investment means an investment that is acquired to carry out the governmental purpose of the Series 2010D Bonds, *i.e.*, the Loans.

Qualified Administrative Costs shall mean with respect to a Nonpurpose Investment such term as defined in Reg. § 1.148-5(e)(2) or successor regulations applicable to the Series 2010D Bonds. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody, and similar costs. General overhead costs and similar indirect costs of the Authority or the Borrowers such as employee salaries and office expenses and costs associated with computing the Rebate Amount under Section 148(f) of the Code are not Qualified Administrative Costs. In general, administrative costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than gross proceeds of tax-exempt bonds.

Ratable Allocation Method shall mean that method of allocating a ratable portion of each Nonpurpose Investment and Purpose Investment of proceeds of the Refunded Bonds to Transferred Proceeds of the Series 2010D Bonds.

Rebate Amount shall mean the amount required to be paid to the United States in accordance with Section 148(f)(2) of the Code.

Rebate Requirement shall mean the requirements related to payment of the Rebate Amount as provided in Section 6 of this Tax Compliance Certificate and Section 148(f) of the Code.

Receipt or **Receipts** shall mean receipts that are (i) amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received from a commingled fund), such as earnings and return of principal; (ii) for a Nonpurpose Investment that ceases to be allocated to an issue before its disposition or redemption date (*e.g.*, an investment that becomes allocable to transferred proceeds of another issue or that ceases to be allocable to the issue pursuant to the universal cap under Reg. § 1.148-6) or that ceases to be subject to the rebate requirement on a date earlier than its disposition or redemption date (*e.g.*, an investment allocated to a fund initially subject to the rebate requirement but that subsequently qualifies as a *bona fide* debt service fund), the value of that Nonpurpose Investment on that date; and (iii) for a Nonpurpose Investment that is held at the end of a computation period, the value of that investment at the end of that period.

Regulations shall mean the final Treasury Regulations under Section 148 of the Code (Sections 1.148-0 through 1.148-11, 1.149(d)-1, 1.149(g)-1 and 1.150-1 through 1.150-2, inclusive), which were published in the C.F.R., as amended through the date hereof.

Replacement Proceeds shall mean amounts that have a sufficiently direct nexus to the Series 2010D Bonds or to the governmental purpose of the Series 2010D Bonds to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Series 2010D Bonds were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, sinking funds, pledged funds and certain other replacement proceeds described below, to the extent that those funds or amounts are held by or derived from a substantial beneficiary of the Series 2010D Bonds. For this purpose, a substantial beneficiary of the Series 2010D Bonds includes the Authority and any related party to the Authority. A person is not a substantial beneficiary of the Series 2010D Bonds solely because it is a guarantor under a qualified guarantee (as defined in Reg. § 1.148-4(f)).

A sinking fund includes a debt service fund, redemption fund, reserve fund, replacement fund, or other similar fund, to the extent reasonably expected to be used, directly or indirectly, to pay principal or interest on the Series 2010D Bonds.

A pledged fund is any amount that is directly or indirectly pledged to pay principal of or interest on the Series 2010D Bonds, provided that there is reasonable assurance that the amount will be available to pay principal of or interest on the Series 2010D Bonds even if the Authority encounters financial difficulty. A pledge to a guarantor of the Series 2010D Bonds is an indirect pledge to secure payment of principal of or interest on the Series 2010D Bonds. Certain amounts held under negative pledge agreements may be treated as a pledged fund under Reg. § 1.148-1(c)(3)(ii).

Other Replacement Proceeds are described in Reg. § 1.148-1(c)(4) and generally include amounts which are available during the period that the Series 2010D Bonds remain outstanding longer than is reasonably necessary for their governmental purposes, subject to certain safe harbors.

Resolution shall mean, collectively or individually, the Master Bond Resolution and the Prior Bond Resolutions.

Sale Proceeds shall mean any amount actually or constructively received from the sale of the Series 2010D Bonds, including amounts used to pay underwriter's discount or compensation and accrued interest other than pre-issuance accrued interest.

Series 2010D Bonds shall have the meaning given in the first paragraph of this Tax Compliance Certificate.

Tax Compliance Certificate shall mean this Tax Compliance Certificate concerning compliance with the provisions of Sections 103 and 141 through 150 of the Code, as such Tax Compliance Certificate may be amended from time to time.

Value of Nonpurpose Investment (other than a yield restricted investment) shall mean using one of the following valuation methods:

(i) (A) Plain Par Investment - principal amount. A Plain Par Investment may be valued at its outstanding stated principal amount, plus any accrued interest on that date.

(B) Fixed rate investment - present value. A fixed rate investment may be valued at its present value on that date.

(C) Any investment (other than yield restricted investments) - Fair Market Value. Any investment may be valued at its Fair Market Value on that date.

(ii) Yield restricted investments - present value. Any yield restricted investment must be valued at present value.

(iii) Notwithstanding paragraph (i) above, a Nonpurpose Investment must be valued at Fair Market Value on the date it is first allocated to an issue or first ceases to be allocated to an issue or first ceases to be allocated to an issue as a consequence of a deemed acquisition or deemed disposition, except as provided in paragraph (ii) above or in Reg. § 1.148-5(d)(3)(ii) and -5(d)(4).

Value of the Series 2010D Bonds shall mean, in the case of the Series 2010D Bonds which are Plain Par Bonds on any determination date, the outstanding stated principal amount of such bonds at that time, plus accrued unpaid interest and, in the case of the Series 2010D Bonds which are not Plain Par Bonds, the present value of such bonds on the determination date. The present value is computed under the economic accrual method taking into account all the unconditionally payable payments of principal, interest, and fees for a qualified guarantee to be paid on or after that date and using the yield on that bond as the discount rate, except that for purposes of Reg. § 1.148-6(b)(2) (relating to the Universal Cap) these values may be determined by consistently using the Yield on the Series 2010D Bonds of which such bonds are a part.

Verification Reports shall mean the two Verification Reports prepared by Grant Thornton, LLP, certified public accountants, relating to the Clean Water Series 2010D and the Drinking Water Series 2010D Bonds, respectively, as required by the Prior Bond Resolutions.

Yield on the Series 2010D Bonds shall mean the Yield on the Series 2010D Bonds computed in accordance with Section 3.7 of this Tax Compliance Certificate, which is 3.1400%. The Yield on the Series 2010D Bonds on the date hereof shall not be recomputed as a result of subsequent events since (i) there will be no transfer, waiver, modification, or similar transaction with respect to any right that is part of the terms of the Series 2010D Bonds or otherwise associated with the Series 2010D Bonds in a transaction that is separate and apart from the original sale of the Series 2010D Bonds, in accordance with Reg. § 1.148-4(b)(4), and (ii) no payments will be made or received by the Authority under a "qualified hedge", in accordance with Reg. § 1.148-4(h)(2).

Yield Reduction Amount shall mean any amount paid to reduce the yield on Investment Property for yield restriction purposes pursuant to Reg. § 1.148-5(c) at the same time and in the same manner as Rebate Amounts are required to be paid to the United States.

SECTION 2. REPRESENTATIONS OF THE AUTHORITY. The Authority expects and intends to be able to comply with and will, to the extent permitted by law, comply with the provisions and procedures set forth in this Tax Compliance Certificate and will do and perform all acts and things necessary or desirable in order to assure that, under the Code as presently in force, interest on the Series 2010D Bonds shall, for purposes of federal income taxation, be excludable from gross income of the recipient thereof. In rendering this Tax Compliance Certificate, the undersigned has relied upon: (i) the representations and certifications contained in the Issue Price Certificate provided by __________________, as underwriter (the "Underwriter") (attached hereto as Exhibit "B"); (ii) the representations and certifications contained in the Certificate of the Financial Advisor (attached hereto as Exhibit "C"); and (iii) the Verification Report.

The Authority has not been advised and is not aware of any impediment under Minnesota law, either constitutional or statutory, to the Authority's compliance with the provisions and procedures set forth in this Tax Compliance Certificate. The Authority has been informed that, in the opinion of Bond Tax Counsel, compliance with the provisions and procedures of this Tax Compliance Certificate will constitute compliance with the Code.

2.1 **Authorization.** The Series 2010D Bonds are being issued pursuant to the Act and under and pursuant to the Resolution.

2.2 **Purpose.** The Series 2010D Bonds are being issued for the purposes of (i) providing additional funds to be used in the Program, and (ii) paying certain costs of issuance of the Series 2010D Bonds.

2.3 **The Series 2010D Bonds as Subordinate Bonds under Prior Resolutions.** So long as any Clean Water Prior Bonds are Outstanding, the Series 2010D Bonds shall be Subordinate Bonds pursuant to, and as defined in, the Clean Water Prior Bond Resolution and payable from and secured by 1991 Clean Water Bond Program Revenues and 1991 Clean Water Bonds Program Assets as set forth in the Clean Water Prior Bond Resolution. So long as any Drinking Water Prior Bonds are Outstanding, the Series 2010D Bonds authorized in the Resolution shall be Subordinate Bonds pursuant to, and as defined in, the Drinking Water Prior Bond Resolution and payable from and secured by 1999 Drinking Water Bond Program Revenues and 1999 Drinking Water Bonds Program Assets as set forth in the Drinking Water Prior Bond Resolution.

So long as any Clean Water Prior Bonds or Drinking Water Prior Bonds remain outstanding, all proceeds and revenues relating to the Clean Water and Drinking Water portions of the Series 2010C will be deposited in the accounts established under the applicable Prior Bond Resolution. At the time Clean Water Prior Bonds or Drinking Water Prior Bonds are no longer outstanding, the Clean Water or Drinking Water assets and revenues, as the case may be, will be transferred to, and deposited in, the appropriate accounts established under the Master Bond Resolution. Thus, references to a particular account in this certificate shall be to each or all such account so designated and established under any of the Resolutions, as applicable.

2.4 **Responsible Person.** The undersigned is a person charged, together with others, with the responsibility for issuance of the Series 2010D Bonds, and has made due inquiry with respect to and is fully informed as to the matters set forth in Section 3.

SECTION 3. REASONABLE EXPECTATIONS OF THE AUTHORITY AS TO FACTS, ESTIMATES AND CIRCUMSTANCES. The Authority does not intend, so long as any of the Series 2010D Bonds remain outstanding and unpaid, to use any of the moneys on deposit under the Resolution or any other Gross Proceeds of the Series 2010D Bonds (whether derived from the sale of the Series 2010D Bonds or from any other source) in a manner which will cause the Series 2010D Bonds to be "arbitrage bonds" under Section 148 of the Code. In accordance with Reg. § 1.148-2(b)(2), this Tax Compliance Certificate sets forth the expectations of the Authority regarding the amount and use of the Gross Proceeds of the Series 2010D Bonds and the facts and circumstances that form the basis for the Authority's expectations. The statements regarding expectations set forth in this Tax Compliance Certificate are made in good faith and to the best of the knowledge and belief of the undersigned officer of the Authority, and the Authority's expectations are reasonable.

3.1 **Application of Net Proceeds of the Series 2010D Bonds**.

(a) **Total Net Proceeds.** The amount of Net Proceeds received by the Authority from the sale of the Series 2010D Bonds (principal amount of $91,000,000 less underwriter's discount of $469,079.98) is $90,530,920.02 (the "Net Proceeds" of the Series 2010D Bonds).

(b) **Loan Account.** $90,430,920.02 of Net Proceeds of the Series 2010D Bonds will be deposited to the Loan Accounts established under the Prior Bonds Resolution with $63,700,000.00 deposited in the Loan Account under the Clean Water Prior Bond Resolution and $27,300,000.00 deposited in the Pledged Loan Account under the Drinking Water Prior Bond Resolution.

(c) **Intentionally Omitted.**

(d) **Intentionally Omitted.**

(e) **Expenses of Issuance.** An amount of the Net Proceeds of the Series 2010D Bonds equal to $100,000 will be deposited in the Series 2010D Subaccount of the Costs of Issuance Account and will be used to provide for the payment of the expenses incurred in connection with the issuance of the Series 2010D Bonds. $70,000.00 will be deposited under the Clean Water Prior Bond Resolution and $30,000.00 will be deposited under the Drinking Water Prior Bond Resolution.

(f) **Underwriters' Discount.** An amount of the proceeds of the Series 2010D Bonds equal to $469,079.98 will be retained by the Underwriter on the date hereof.

(g) **Debt Service Reserve Account.** No Proceeds of the Series 2010D Bonds will be deposited into the Debt Service Reserve Account established under the Master Bond Resolution or the Drinking Water Prior Bond Resolution or into the Debt Service Reserve Fund Account established under the Clean Water Prior Bond Resolution. All amounts, if any, in such reserve accounts are from the Authority's own funds and not from Proceeds. No amounts are on deposit in the Debt Service Reserve Account under the Master Bond Resolution. Amounts on deposit in the Debt Service Reserve Account established under the Drinking Water Prior Bond Resolution and the Debt Service Reserve Fund Account established under the Clean Water Prior Bond Resolution do not secure and are not available to pay debt service of the Series 2010D Bonds.

3.2 **Investment Earnings.** Investment earnings on amounts deposited in the funds or accounts described above will be deposited into the applicable Revenue Account and then to the Debt Service Account applicable Principal and Interest Account.

3.3 **No Overburdening of the Tax-Exempt Market.** The total of the Net Proceeds and Investment Proceeds (exclusive of Rebate Amounts and Yield Reduction Amounts) of the Series 2010D Bonds is not expected to exceed the amount reasonably necessary for the purposes for which the Series 2010D Bonds are being issued.

3.4 **Allocation and Accounting Rules.** The Authority shall use a Consistently Applied Accounting Method to account for Gross Proceeds, Purpose Investments, Nonpurpose Investments and expenditures of the Series 2010D Bonds (the "Overall Accounting Method"). The Authority shall additionally use a reasonable Consistently Applied Accounting Method for allocating Proceeds of the Series 2010D Bonds to expenditures, subject to the Current Outlay of Cash rule. Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a ratable allocation method. The Authority may use a different accounting method to account for a particular expenditure, provided that the use of a different method is for a *bona fide* purpose and is not an artifice or device to avoid or minimize rebate or private business use.

(a) **Choice of Accounting Methods.** The Authority shall use the cash method of accounting as its Overall Accounting Method. The Authority shall use the specific tracing method to allocate Gross Proceeds to expenditures, except as provided in Section 3.9.

(b) **No Commingled Funds.** The Authority shall not establish or maintain a Commingled Fund. Through the establishment of subaccounts for each bond issue, the various accounts established under the Resolutions.

(c) **Books and Records.** The Authority shall maintain books and records sufficient to establish the accounting method used and the allocation of Gross Proceeds to expenditures. The Authority must retain records of the expenditures of Gross Proceeds until six years after the retirement of the last obligation of the Series 2010D Bonds or for such other period as the Treasury Department may, by regulations or rulings, provide.

(d) **Timing.** As provided in Section 1.148-6(d)(1)(iii) of the Regulations, the Authority shall account for the allocation of Gross Proceeds to expenditures not later than 18 months after the later of the date the expenditure is paid or the date the Project is placed in service. However, in no event may the allocation be made later than 60 days after the fifth anniversary of the Issue Date of the Series 2010D Bonds or the date 60 days after the redemption or retirement (not including a defeasance) of all Series 2010D Bonds, if earlier.

3.5 **No Contingent Early Redemption.** The Series 2010D Bonds do not include any bond which is subject to expected contingent early redemption. For this purpose contingent early redemption includes redemption using certain excess revenues, in the event such revenues are available, but does not include excess proceeds calls, calamity calls and refundings, in accordance with Reg. § 1.148-4(b)(2).

3.6 **Special Yield Calculation Due to Optional Early Redemption, Etc.** The Series 2010D Bonds are subject to optional redemption within five years of the date hereof. However, the Yield on the Series 2010D Bonds is not subject to the special yield calculation rule contained in Reg. § 1.148-4(b)(3) relating to assumed optional redemptions of bonds producing the lowest yield on the issue, because the Yield on the Series 2010D Bonds computed by assuming all of the Series 2010D Bonds subject to redemption within five years of the issue date are redeemed at maturity is not more than one-eighth of one percentage point higher than the Yield on the Series 2010D Bonds computed by assuming all of the Series 2010D Bonds subject to optional redemption within five years of the issue date are redeemed at the earliest date for their redemption.

3.7 **Yield.** For purposes of this Tax Compliance Certificate, yield is and shall be calculated in the manner set forth in Section 148 of the Code and applicable Regulations. Thus, generally, yield on an investment allocated to the Series 2010D Bonds is the discount rate that when used in computing, as of the date the investment is first allocated to the Series 2010D Bonds, all unconditionally payable receipts from the investment produces an amount equal to the present value of all unconditionally payable payments for the investment. For this purpose "payments" mean amounts to be actually or constructively paid to acquire an investment and "receipts" means amounts to be actually or constructively received from an investment. The tax credit subsidy the Authority may receive pursuant to Code Section 6374 with respect to the Series 2010D has not been taken into account for purposes of determining yield.

The yield on the Series 2010D Bonds is the discount rate that when used in computing the present value as of the date hereof of all unconditionally payable payments of principal, interest and fees for a "qualified guarantee" on the Series 2010D Bonds and amounts reasonably expected to be paid as fees for a qualified guarantee on the Series 2010D Bonds produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Series 2010D Bonds as of the date hereof. The issue price of each maturity of the Series 2010D Bonds is the initial offering price of such Series 2010D Bonds to the public, as shown on the inside cover page of the Official Statement with respect to the Series 2010D Bonds. The aggregate of the issue price of the Series 2010D Bonds is $91,000,000, as indicated on Exhibit "B" attached hereto, being par of $91,000,000, less net original issue discount of $-0-. For purposes hereof, yield is and shall be calculated on a 30 days per month/360 days per year basis with interest compounded semiannually. The Yield on the Series 2010D Bonds on the date hereof calculated in the manner described in this paragraph is 3.14000%.

3.8 **No Yield Recomputation.** No transfer, waiver, modification, or similar transaction will occur with respect to any right that is part of the terms of the Series 2010D Bonds or otherwise associated with the Series 2010D Bonds in a transaction that is separate and apart from the original sale of the Series 2010D Bonds, in accordance with Reg. § 1.148-4(b)(4). No payments will be made or received by the Authority under a "qualified hedge", in accordance with Reg. § 1.148-4(h)(3). Accordingly, the Yield on the Series 2010D Bonds on the date hereof shall not be recomputed as a result of subsequent events.

3.9 **Flow of Funds and Accounting Methods.** Revenues derived from Loans (excluding certain Prepayments which are required to be directly deposited in the Redemption

Account) and investment earnings on all accounts allocable to the Series 2010D Bonds will be deposited in the Revenue Account and will be applied in the following manner:

(i) first, to the Principal and Interest Accounts established under the Prior Resolutions on or prior to each Interest Payment Date and each Principal Installment Date in amounts sufficient to pay the interest and principal due and payable on the Prior Bonds on such Interest Payment Date or Principal Installment Date;

(ii) second, to the Debt Service Account, on or prior to each Debt Service Payment Date (each March 1 and September 1, beginning on March 1, 2011), an amount sufficient, together with amounts already on deposit therein, to pay the interest and principal due and payable on the Series 2010D Bonds on such Debt Service Payment Date;

(iii) (iii) third, to the Debt Service Reserve Account, in the amount, if any, needed to increase the amount therein to the Debt Service Reserve Requirement;

(iv) fourth, to the Supplemental Reserve Account on or before each Debt Service Payment Date, the amount, if any, needed to increase the amount therein to the Supplemental Reserve Requirement;

(v) fifth, to the Redemption Account, the amount, if any, needed to redeem Series 2010D Bonds at any time subject to redemption which have been called for redemption; and

(vi) sixth, to the Debt Service Account, on or before each Debt Service Payment Date, the amount needed to increase the balance therein for the Subordinate Debt Service due and payable after payment of all Senior Debt Service due and payable on or before such Debt Service Payment Date

(vii) seventh, to the Redemption Account, at any time, from amounts on hand in the Revenue Account in excess of the amounts needed to make transfers in clauses (i), (ii), (iii), (iv), (v) and (vi) of this Section 3.9 on the next Debt Service Payment Date therefor, the amount if any, needed to redeem Subordinate Obligations subject to redemption which have been called for redemption;

(viii) eighth, to the extent permitted by the Resolution, at any time to the Loan Account or the Operating Account any Loan Prepayment or portions thereof that the Authority has determined to use to make new Pledged Loans; and

(ix) ninth, on the second Business Date of March, all amounts remaining in the Revenue Account will be transferred to the Operating Account.

For purposes of accounting for the Revenue Account and the Debt Service Account, the Authority hereby adopts the following reasonable accounting methods:

(i) Investment earnings derived from the investment of Net Proceeds (and investment earnings thereon) of the Series 2010D Bonds deposited in any account established under the Resolution shall first be applied to pay debt service on the Series 2010D Bonds to the extent thereof.

(ii) Revenues derived from Loans made from Net Proceeds (and investment earnings thereon) of the Series 2010D Bonds shall next be applied to the extent thereof to the payment of debt service on the Series 2010D Bonds. To the extent to which a Loan is made from Net Proceeds and other sources, Revenues shall be allocated on a percentage basis, using the aggregate principal amount of the Loan made from Net Proceeds as the numerator and using the aggregate principal amount of the Loan as the denominator.

(iii) Revenues derived from Loans made from sources other than proceeds of the Series 2010D Bonds and proceeds of any other tax-exempt bonds of the Authority, and investment earnings from the investment of such amounts, shall then be applied to the extent needed to pay debt service on the Series 2010D Bonds.

(iv) Deficiencies in the Debt Service Reserve Account shall be funded first with Revenues derived from Loans made from sources other than Proceeds of the Series 2010D Bonds and proceeds of any other tax-exempt bonds of the Authority, and to the extent Revenues derived from Loans made from Net Proceeds are deposited in this account, they will be segregated and invested at a yield not greater than the yield on the Series 2010D Bonds to the extent that the Size Limitation is exceeded.

(v) If any amounts are transferred to the Redemption Account, the order of transfer shall follow the order prescribed in (i) through (iii) in this paragraph.

(vi) Any Revenues derived from Loans made from Net Proceeds and investment earnings derived from the investment of Net Proceeds (and investment earnings thereon) remaining after the application of such amounts, pursuant to (i) through (v) in this paragraph, deposited in the Operating Account shall be segregated and invested at a yield not greater than the yield on the Series 2010D Bonds to the extent that the Size Limitation is exceeded or transferred from the Operating Account to the Loan Account to make Loans.

(vii) For purposes of the foregoing flow of funds with respect to each source of funds, the Authority will apply such funds on a first-in-first-out basis.

Further, the Authority will consistently, at least once each Bond Year, make the necessary entries on its books and records to allocate Revenues and investment earnings derived from Net Proceeds and other sources in accordance with the foregoing accounting methods.

3.10 **Debt Service Funds.** Except for the Debt Service Account and the Revenue Account, the Authority has not created or established, and does not expect to create or establish, any fund or account in connection with the Series 2010D Bonds that is reasonably expected to be used to pay debt service on the Series 2010D Bonds. The Principal and Interest Account and the Revenue Account are accounts that will at all times while the Series 2010D Bonds are outstanding be used primarily to achieve a proper matching of revenues and principal and interest payments on the Series 2010D Bonds within each Bond Year and will be depleted at least annually on or about March 2. Moneys deposited in such accounts will be used to pay debt service on the Series 2010D Bonds within 13 months of deposit therein. Any income received from the investment of such amounts will be used to pay debt service on the Series 2010D Bonds within one year of receipt.

3.11 **Debt Service Reserve Account**. The Debt Service Reserve Account has not been funded on the date hereof pursuant to the Resolution. Amounts on deposit in the debt service reserve funds accounts under the Prior Resolutions equal to the debt service requirements of those Prior Resolutions are not available to pay or secure the Series 2010D Bonds.

3.12 **Operating Reserve Account.** On the second Business Day of March each year, there shall be deposited to the Operating Account the amount required to be transferred from the Revenue Account. The Authority may from time to time deposit other funds of the Authority to the Operating Account.

The Authority may withdraw at any time from the Operating Account the following amounts for the following purposes:

(i) such amounts as the Authority determines in its sole discretion at anytime to transfer to the Loan Account for the making or purchasing of Pledged Loans;

(ii) such accounts equal to the insufficiency for deposit to the Debt Service Account on each Interest Payment Date and Principal Payment Date, if moneys on deposit in the Debt Service Account are insufficient to pay amounts due on the Outstanding Senior Obligations on such date after the transfer from the Revenue Account and any Capitalized Interest Account;

(iii) such amounts for deposit to the Debt Service Account required to meet the Authority's obligations with respect to Outstanding Subordinate Obligations or to itself to pay expenses relating to the Bond Program provided that the amount then on deposit in the Revenue Account is sufficient to pay Senior Debt Service due and payable in the then current Bond Year;

(iv) such amounts as the Authority determines in its sole discretion for deposit to the Debt Service Reserve Account to establish additional reserves therein;

(v) such amounts as the Authority determines in its sole discretion for deposit to the Supplemental Reserve Account to establish additional reserves therein.

(vi) such amounts (A) for deposit to the Arbitrage Rebate Account as required to be transferred to the Arbitrage Rebate Account, and (B) for transfer to the State Board of Investment, as required to pay the charges of the State Board of Investment in fulfilling its duties hereunder or in investing amounts held in any fund or account established hereunder; and

(vii) such amounts as the Authority determines in its sole discretion for any transfers to itself or to another party as directed by the Authority, free and clear of the pledge, security interest and lien of the Resolution, for any lawful purpose, including, without limitation the expenditure thereof upon the filing of a Projected Revenue Certificate showing Revenue Coverage for Senior Obligations of at least one hundred twenty percent (120%) for the current and each future Bond Year and Revenue Coverage for Subordinate Obligations of at least equal to one hundred percent (100%) for the current and each future Bond Year after taking into account the proposed withdrawal. The Projected Revenue Certificate prepared shall be valid for the purpose of the withdrawal until the preparation of a subsequent Projected Revenue Certificate for any purpose; provided, however, if the withdrawal occurs more than forty-five (45) days after the date of the Projected Revenue Certificate, the Authority must file an Officer's Certificate with the Projected Revenue Certificate to the effect that there has occurred no event or change that would materially adversely change the Projected Revenue Certificate prior to making the withdrawal.

It is not anticipated that there will be any amounts on deposit in the Operating Account until there are no Prior Bonds Outstanding.

The Debt Service Reserve Account and Operating Account together constitute a reasonably required reserve or replacement fund.

3.13 **<u>Redemption Account</u>.** The Authority will deposit to the Series 2010D Subaccount of the Redemption Account all Revenues derived from Prepayments of Loans (i) by Borrowers in whole or in part from the proceeds of debt obligations of such Borrowers, the interest on which was intended by such Borrowers to be excluded from gross income of the recipient thereof for federal income tax purposes, issued for the purpose of prepaying such Loans, and (ii) which the Authority has contractually obligated itself to apply to the redemption of bonds. Other amounts deposited in the Redemption Account for the purposes of calling bonds, if not used to purchase, pay or redeem the Series 2010D Bonds, may be transferred to the Loan Account for the making of the Loans.

Reg. § 1.150-1(d)(2)(iii)(A) provides to the effect that the use of proceeds from the Prepayments (described in the preceding paragraph) to purchase, pay or redeem the Series 2010D Bonds will constitute a refunding of portion of the Series 2010D Bonds. *See* Yield Limitations § 3.19(vi). However, Reg. § 1.150-1(d)(2)(iii)(E) provides to the effect that the Series 2010D Bonds will not be treated as refunded to the extent that the Authority reasonably expects as of the date of receipt of the Prepayment to use those amounts within six months (or, if greater, during the applicable temporary period for those amounts under applicable prior law) to make a new Loan. Any new Loan made from Prepayments will be treated as made from Proceeds of the Series 2010D Bonds.

While the Authority has generally reserved the option to recycle Prepayments, the Authority generally does not do so.

3.14 **Costs of Issuance Account.** The Authority shall use the amounts deposited to the Series 2010D Subaccount of the Costs of Issuance Account from Net Proceeds of the Series 2010D Bonds to pay Costs of Issuance on the Series 2010D Bonds.

3.15 **Arbitrage Rebate Account.** The Authority reasonably expects to make deposits to the Series 2010D Subaccount of the Arbitrage Rebate Account when, as and if required, from amounts on deposit in the Operating Account which are not derived from Net Proceeds and investment earnings on Net Proceeds of the Series 2010D Bonds.

3.16 **Borrower Funds.** The Borrowers may establish funds or accounts pledged to the payment of debt service on their Loans or that are expected to pay such debt service. The Borrowers have covenanted that any such sums which would constitute Gross Proceeds of the Bonds shall not be invested at a yield in excess of the Yield on the Series 2010D Bonds. In addition, disbursements of proceeds of a Loan shall not be reinvested by the Borrower.

3.17 **No Other Funds.** Other than the funds and accounts specifically described in this Tax Compliance Certificate, no fund or account which secures or otherwise relates to the Series 2010D Bonds has been established, nor are any funds or accounts expected to be established, pursuant to any instrument.

3.18 **Single Issue.** The Series 2010D Bonds constitute a single issue for arbitrage purposes. There are no other issues of taxable governmental obligations: (a) sold at substantially the same time as the Series 2010D Bonds; (b) sold pursuant to the same plan of financing as the Series 2010D Bonds; and (c) reasonably expected to be paid from substantially the same source of funds, determined without regard to guarantees from unrelated parties. For purposes of this paragraph, bonds are sold at substantially the same time if they are sold less than 15 days apart. Bonds to finance a single facility or related facilities are part of the same plan of financing and short-term bonds to finance working capital expenditures and long-term bonds to finance capital projects are not part of the same plan of financing.

3.19 **The Yield Limitations as to Series 2010D Bonds.**

(i) **Debt Service Reserve Account.** Amounts deposited in the Debt Service Reserve Account, to the extent needed to maintain the Debt Service Reserve Requirement as determined at least annually, will be invested without regard to yield restriction (subject to the payments of a Yield Reduction Amount to achieve yield restriction, if necessary).

(ii) **Operating Account — Investment Earnings on Net Proceeds.** Any investment earnings derived from investments of Net Proceeds (and investment earnings thereon) deposited in the Operating Account shall be segregated and invested at a yield not greater than the yield on the Series 2010D Bonds until transferred to the Loan Account for making new Loans.

(iii) **Redemption Account.** Prepayments and other amounts deposited in the Series 2010D Subaccount of the Redemption Account not reasonably expected to be used to make Loans may be invested without regard to yield restriction for a period of 30 days beginning on the date of receipt unless an opinion of Bond Tax Counsel otherwise directs. Any disposition proceeds from the sale of a Loan not reasonably expected to be used to make Loans will be yield restricted to the lower of the Yield on the Series 2010D Bonds or the yield on the Loan sold (treating the sale price of the Loan sold as the issue price and the date of sale as the issue date). Such disposition proceeds from a Loan will be used to retire the Series 2010D Bonds on or before their earliest call date as directed by an opinion of Bond Tax Counsel.

(iv) **Arbitrage Rebate Account.** Amounts deposited in the Series 2010D Subaccount of the Arbitrage Rebate Account may be invested without regard to yield restriction.

(v) **Revenue Account — Revenues.** Revenues deposited in the Revenue Account will be invested without regard to yield restriction.

(vi) **Intentionally Omitted.**

(vii) **Debt Service Account.** Amounts periodically deposited into and held in the Debt Service Account (other than the accrued interest described above) which are set aside for the payment of the principal of and interest on the Series 2010D Bonds will be invested without regard to yield restriction. Investment earnings on amounts in such Account, to the extent not used to pay debt service within 13 months of receipt, if any, will be invested at a yield not in excess of the Yield on the Series 2010D Bonds.

(viii) **Costs of Issuance Account — Expenses of Issuance.** Net Proceeds deposited in the Costs of Issuance Account for payment of expenses of issuance of the Series 2010D Bonds will be invested, subject to the Rebate Requirement, without regard to yield restrictions for a period not to exceed 6 months from the Delivery Date and thereafter, to the extent unexpended, will be invested at a yield not in excess of the Yield of the Series 2010D Bonds or transferred to the Loan Account.

(ix) **Loan Account — Net Proceeds.** Net Proceeds deposited in the Series 2010D Subaccount of the Loan Account for the purpose of financing the Projects are expected to be expended to pay costs of the Projects by November 1, 2013 and are reasonably expected to be loaned to Borrowers over such period. After reasonable investigation and due inquiry, the Authority has been informed and is satisfied that each of the Borrowers has done or will do each of the following:

(A) enter into binding contracts (not subject to contingencies within the control of the Borrower or a related party), within six months of the Delivery Date for the expenditure of the costs of their respective Project proceeds involving the expenditure in an amount in excess of 5% of the "net sale proceeds" of the Series 2010D Bonds within the meaning of Reg. § 1.148-1(b) (the Sale Proceeds allocable to the Loan of the Borrower);

(B) proceed with due diligence to work on the construction and acquisition of their Project to the completion thereof;

(C) expend at least 85% of the "net sale proceeds" of the Series 2010D Bonds allocable to the Loan of the Borrower, within the meaning of Reg. § 1.148-1(b), within three years of the Delivery Date.

Based upon the information provided by the Borrowers to the Authority and this subparagraph, the amounts deposited in the Series 2010D Subaccount of the Loan Account to pay costs of the Projects may be invested without regard to yield restriction (subject to the payment of a Yield Reduction Amount to achieve yield restriction for amounts not loaned within six months of the Delivery Date).

(x) **Loan Account — Non-Gross Proceeds.** Amounts deposited in the Series 2010D Subaccount of the Loan Account from amounts which are not Gross Proceeds of the Series 2010D Bonds may be invested without regard to yield restriction. Such amounts shall be deposited in a segregated account (designated the "Equity Subaccount") within the Loan Account and are not subject to allocation among the series of bonds outstanding. Such amounts are not Gross Proceeds since they are not expected to be used to pay debt service on the Series 2010D Bonds or any other outstanding bonds of the Authority. In addition, there is no reasonable assurance that such amounts will be available to pay principal or interest on the Series 2010D Bonds or any other outstanding bonds of the Authority in the event the Authority encounters financial difficulty. Therefore, such amounts are not Gross Proceeds and are not subject to yield restriction or the Rebate Requirement.

(xi) **Investment Earnings.** All investment earnings on all Net Proceeds may be invested without regard to yield restrictions for a period of one year beginning on the date of receipt (subject to the Rebate Requirement).

(xii) **Loan Account – Recycled Amounts.** Amounts deposited in the Loan Account from the sale of Loans will be deposited in a segregated account and may be invested at an unrestricted yield until 90 days from the date of deposit.

3.20 **Additional Investment Restrictions.** All Nonpurpose Investments acquired with Gross Proceeds of the Series 2010D Bonds will be acquired or disposed of pursuant to Section 8 of this Tax Compliance Certificate.

3.21 **Program Investments.** The Loans will be part of a program meeting the requirements necessary for "Program Investments" (within the meaning of Reg. § 1.148-1(b)) in that: (a) the Program involves the acquisition by the Authority of obligations of the Borrowers authorized to construct, operate and maintain wastewater treatment systems or other environmental infrastructure, which are investments acquired by the Authority to carry out the governmental purpose of the Series 2010D Bonds; (b) at least 95% of the cost of the Loans will be obligations of such Borrowers; (c) at least 95% of the amounts received by the Authority with respect to such Loans will be used to pay principal, interest or redemption prices on the Series 2010D Bonds, to make additional Loans or to reimburse or to pay for administrative costs of issuing the Series 2010D Bonds or administrative costs directly related to the Program; (d) the Program documents prohibit any obligor on a Loan or any related party from purchasing any Series 2010D Bonds in an amount related to the amount of the Loan acquired from the obligor; and (e) the Authority has not waived the right to treat the Loans as a "program investment". The Borrowers will pay to the Authority a Service Charge pursuant to Section 4.2(f) of the Resolution. The Authority may sell the Loans from time to time to pay any shortfalls in debt service, to raise additional monies for the Program, or to retire or defease the Series 2010D Bonds. The yield on the Loans in the Series 2010D Subaccount of the Loan Account taking into account the Service Charge will not exceed the Yield of the Series 2010D Bonds by more than one and one-half percent (1-1/2%).

3.22 **No Replacement.** No portion of the Project will be Investment Property. No portion of the amounts received from the sale of the Series 2010D Bonds will be used as a substitute for other funds which were otherwise to be used as a source of financing for the Project. The Proceeds of the Series 2010D Bonds will not be used to finance either "restricted working capital expenditures" or a "working capital reserve" (within the meaning of Reg. § 1.148-1). The weighted average maturity of the Series 2010D Bonds does not exceed 120% of the average reasonably expected economic life of the Projects financed or refinanced by the Series 2010D Bonds, determined in the same manner as under Section 147(b) of the Code. Accordingly, the term of the Series 2010D Bonds is no longer than is reasonably necessary for the governmental purposes of the Series 2010D Bonds and no "other replacement proceeds" will arise which are allocable to the Series 2010D Bonds under Reg. § 1.148-1(c)(4).

3.23 **Universal Cap.** The Authority reasonably expects on the date hereof that the Universal Cap (as defined below) will not reduce the amount of Gross Proceeds allocable to the

Series 2010D Bonds during the term of the Series 2010D Bonds. Accordingly, the Universal Cap need not be applied on any date on which each of the following characteristics apply to the Series 2010D Bonds:

(a) No Replacement Proceeds are allocable to the Series 2010D Bonds, other than replacement proceeds in a *Bona Fide* Debt Service Fund, the Debt Service Fund Account or the Operating Account;

(b) The Net Sale Proceeds of the Series 2010D Bonds –

(i) Qualified for one of the temporary periods available for capital projects, restricted working capital expenditures, or pooled financings under Reg. § 1.148-2(e)(2), (e)(3), or (e)(4), and those net sales proceeds were in fact allocated to expenditures prior to the expiration of the longest applicable temporary period; or

(ii) were deposited in a escrow and expended as originally expected;

(c) The Series 2010D Bonds do not refund a prior issue that has unspent proceeds allocable to it on any date Proceeds of the Series 2010D Bonds pay principal on such prior issue;

(d) None of the Series 2010D Bonds are retired prior to the date on which those Series 2010D Bonds are treated as retired in computing the Yield on the Series 2010D Bonds; and

(e) No proceeds of the Series 2010D Bonds are invested in qualified student loans or qualified mortgage loans.

Except as provided below, amounts that would otherwise be Gross Proceeds of the Series 2010D Bonds are allocated to, and remain allocated to, the Series 2010D Bonds to the extent that the Value of Nonpurpose Investments does not exceed the Value of all outstanding Series 2010D Bonds ("Universal Cap"). It is important to note that Loans do not constitute Nonpurpose Investments for purposes of the Universal Cap. For this purpose, Gross Proceeds allocable to cash and tax exempt investments are treated as Nonpurpose Investments. Except as hereinafter provided, beginning with the first Bond Year commencing after the second anniversary of the date hereof, the Authority shall determine the Value of all outstanding Series 2010D Bonds and the Value of all Nonpurpose Investments as of the first day of each Bond Year. All values are determined as of the close of business on each determination date, after giving effect to all payments on the Series 2010D Bonds and Payments for and Receipts on Nonpurpose Investments on that date, in accordance with Reg. § 1.148-6(b)(2). If the Value of the Nonpurpose Investments allocated to the Gross Proceeds of the Series 2010D Bonds exceeds the Universal Cap for the Series 2010D Bonds on a date as of which the Universal Cap is determined, Nonpurpose Investments allocable to Gross Proceeds necessary to eliminate that excess cease to be allocated to the Series 2010D Bonds, in the following order of priority –

(i) First, Nonpurpose Investments allocable to replacement proceeds;

(ii) Second, Nonpurpose Investments allocable to transferred proceeds; and

(iii) Third, Nonpurpose Investments allocable to sale proceeds and investment proceeds.

Except in the case of transferred proceeds, which can be reallocated to refunded bonds in the event the Universal Cap is exceeded, as provided in Reg. § 1.148-9(b)(3), amounts that cease to be allocated to the Series 2010D Bonds as a result of the application of the Universal Cap may only be allocated to another issue as replacement proceeds.

Portions of Nonpurpose Investments which must be reallocated as a result of the Universal Cap are allocated under either the ratable method or the representative method in the same manner as allocations of portions of investments to transferred proceeds under Reg. § 1.148-9(c).

Nonpurpose Investments allocated to Gross Proceeds in a *Bona Fide* Debt Service Fund for the Series 2010D Bonds are not taken into account in determining the Value of the Nonpurpose Investments and those Nonpurpose Investments remain allocated to the Series 2010D Bonds.

3.24 **Extraordinary Mandatory Redemptions.** In May 2006, Congress enacted and the President signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (the "2006 Tax Act"). The 2006 Tax Act imposes new requirements and conditions for the interest on bonds issued by state and local governments for pooled financing programs to be and remain exempt from federal income taxation. Among those requirements are provisions requiring the redemption of bonds if certain amounts of the bond proceeds are not used for loans within one-year and three-year periods following the issuance of the bonds. In particular, the 2006 Tax Act requires the following:

(a) With respect to the one-year period, (i) as of the date of issuance of an issue of bonds, the issuer must reasonably expect that within the one-year period beginning on the date of issuance, at least 30 percent of the net proceeds of the issue will be used directly or indirectly to make or finance loans to ultimate borrowers; and (ii) to the extent that less than 30 percent of the proceeds of the issue are actually used as described in clause (i) the issuer must use an amount of proceeds equal to the excess of 30 percent of the proceeds over the amount actually used to make loans by the close of such one-year period to redeem outstanding bonds within 90 days after the end of such period.

(b) With respect to the three-year period, (i) as of the date of issuance of an issue of bonds, the issuer must reasonably expect that within the three-year period beginning on the date of issuance, at least 95 percent of the net proceeds of the issue would be used directly or indirectly to make or finance loans to ultimate borrowers, and (ii) to the extent that less than 95 percent of the proceeds of the issue are actually used as described in clause (i) the issuer must use an amount of proceeds equal to the excess of 95 percent of the proceeds over the amount actually used to make loans by the close of such three-year period to redeem outstanding bonds within 90 days after the end of such period.

The Authority reasonably expects to expend more than 30 percent and 95 percent of the proceeds of the Series 2010D Bonds during the one-year and three-year periods, respectively, as required by the 2006 Tax Act. In addition, in order to enable the Authority to comply with the potential application of the above-described provisions of the 2006 Tax Act, the Series 2010D Bonds are being made subject to one-year extraordinary mandatory redemption and three-year extraordinary mandatory redemption.

3.25 **Intentionally Omitted.**

3.26 **Intentionally Omitted.**

3.27 **Intentionally Omitted.**

3.28 **Series 2010D Bonds Not Hedge Bonds.** The Authority reasonably expects, as of the issue date of the Series 2010D Bonds, that 85% of the Net Sale Proceeds (as defined in Reg. § 1.148-1) of such issue would be expended for the governmental purposes within three years from its respective date of issue. In addition, not more than 50% of the proceeds of the Series 2010D Bonds will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

3.29 **Intentionally Omitted.**

3.30 **Minor Portion.** The Series 2010D Bonds are entitled to a $100,000 minor portion, which the Authority may utilize for any moneys otherwise subject to yield restriction or to the payment of a Yield Reduction Amount.

SECTION 4. NO WORKING CAPITAL. No portion of the Net Proceeds of the Series 2010D Bonds or investment earnings thereon will be used to pay expenditures or be allocated to the reimbursement of expenditures other than expenditures which are (i) "capital expenditures" within the meaning of Reg. § 1.150-1 (*i.e.*, any cost of a type that is properly chargeable to capital account, or which would be so chargeable with proper election, under general federal income tax principles); (ii) costs of issuance, carrying and repaying the Series 2010D Bonds, purchasing, carrying, selling or retiring the Borrower's Loan made by the Authority, or Qualified Administrative Costs; (iii) fees for a "qualified guarantee" (within the meaning of Reg. § 1.148-4(f); (iv) interest on the Series 2010D Bonds for a period commencing on the issue date and ending on the date that is the later of three years from the issue date or one year after the date on which the Project is placed in service; (v) amounts paid to the United States under Reg. §§ 1.148-3, 1.148-7 and 1.148-5(c) as rebate payments, payments of the 1-1/2% penalty in lieu of arbitrage rebate or yield reduction payments; and (vi) payment of principal, interest, or redemption premium on a refunded issue, and for a crossover issue, interest on that issue. Accordingly, no portion of the Net Proceeds of the Series 2010D Bonds or investment earnings thereon will be used to pay expenditures which are "restricted working capital expenditures" within the meaning of Reg. § 1.148-1(b).

SECTION 5. NO COMMINGLING. All Gross Proceeds of the Series 2010D Bonds will be held by the Authority in accounts established under the Resolution which are separate from any other funds and accounts, including the funds and accounts established under the Resolution for any other series of bonds (other than amounts deposited in the Revenue Account and the Debt Service Account). Such accounts will hold only amounts which are Gross Proceeds of the Series 2010D Bonds, and will be invested separately in specifically identified investments which are directly traceable to the Gross Proceeds of the Series 2010D Bonds. Thus no account established under the Resolution (i) will contain both Gross Proceeds of the Series 2010D Bonds and other amounts in excess of $25,000 that are not Gross Proceeds of the Series 2010D Bonds, and (ii) that will be invested collectively without regard to source of funds deposited in the account. Accordingly, no such account will be a "commingled fund" within the meaning of Reg. § 1.148-1(b).

SECTION 6. REBATE REQUIREMENT CALCULATIONS AND PAYMENT. The Authority has been advised by Bond Tax Counsel that the following provisions and procedures also apply with respect to the Gross Proceeds of the Series 2010D Bonds:

6.1 **Generally.** The Rebate Amount to be paid pursuant to the Rebate Requirement, as of any Computation Date, is an amount net of any allowable credits equal to the excess of –

(a) the Future Value of all Receipts on Nonpurpose Investments allocated to Gross Proceeds of the Series 2010D Bonds; over

(b) the Future Value, as of that date, of all Payments on Nonpurpose Investments allocated to Gross Proceeds of the Series 2010D Bonds.

6.2 **Relationship to Yield Restriction.** The Rebate Requirement applies to all Gross Proceeds, regardless of whether such amounts are subject to yield restriction or are unrestricted as to yield. Thus, an amount of Gross Proceeds may be "unrestricted as to yield" but will, notwithstanding that characterization, be subject to the Rebate Requirement. Similarly, an amount of Gross Proceeds may be "restricted as to yield" and subject to yield reduction payments but will, notwithstanding that characterization, also be subject to the Rebate Requirement. The definition of Payments in Section 1 includes the payment of Yield Reduction Amounts made pursuant to Reg. § 1.148-5(c).

6.3 **Bona Fide Debt Service Fund.** The weighted average maturity of the Series 2010D Bonds (determined in accordance with Section 147(b)(2)(A) of the Code) is at least five years and the rates of interest on bonds which are part of the Series 2010D Bonds do not vary during the term of the Series 2010D Bonds. Accordingly, any amounts earned on amounts contributed to a *Bona Fide* Debt Service Fund for the Series 2010D Bonds shall not be taken into account in calculating the Rebate Requirement.

6.4 **Spending Exceptions.** The Authority hereby elects to have the spending exceptions to rebate contained in Reg. § 1.148-7(b)(6)(ii) applied separately to each Loan financed by the Series 2010D Bonds.

6.5 **Calculation and Deposit Dates.** The Authority shall deposit into the Rebate Account on the Delivery Date the sum of $0. Thereafter, the Authority shall deposit amounts into the Authority Rebate Account sufficient to satisfy payment of the Rebate Amount and/or the payment of the Yield Reduction Amount.

6.6 **Payment of Rebate Amount and/or Yield Reduction Amount.** The Authority shall pay the Rebate Amount and/or the payment of the Yield Reduction Amount from the Arbitrage Rebate Account in installments as follows:

The first payment of the Rebate Amount and/or Yield Restriction Amount with respect to the Series 2010D Bonds must be made for a Computation Date that is not later than five years after the issue date of the Series 2010D Bonds. Each succeeding installment payment of the Rebate Amount and/or Yield Restriction Amount must be made for a Computation Date that is not later than five years after the preceding Computation Date. Each rebate installment payment must be in an amount that when added to the Future Value, as of the Computation Date, of previous rebate payments paid to the United States with respect to the Series 2010D Bonds equals at least 90% of the Rebate Amount as of that date. The final Computation Date shall be the date the Series 2010D Bonds are discharged, *i.e.*, the date of the retirement of the last obligation of the Series 2010D Bonds. The final payment of the Rebate Amount shall be an amount that, when added to the Future Value of previous rebate payments paid to the United States with respect to the Series 2010D Bonds equals 100% of the Rebate Amount as of the final Computation Date.

6.7 **Procedure for Remittance.** Each rebate and/or yield reduction payment must be paid to the United States no later than 60 days after the Computation Date to which it relates and, if paid during such 60-day period, may be treated as paid to the United States on the Computation Date to which it relates. A rebate payment and yield reduction payment is paid to the United States when it is filed with the Internal Revenue Service at the place or places designated by the Commissioner of the Internal Revenue Service. A payment must be accompanied by the form provided by the Commissioner for this purpose.

6.8 **Recordkeeping Obligation.** The Authority will maintain or cause to be maintained records adequate to determine the Rebate Amount and the Yield Reduction Amount. Such records will include, but are not necessarily limited to, information regarding each expenditure made which is allocated to the Gross Proceeds of the Series 2010D Bonds and the following with respect to each and every Nonpurpose Investment acquired with or otherwise allocated to Gross Proceeds of the Series 2010D Bonds (other than Revenues of the Authority in a *Bona Fide* Debt Service Fund for the Series 2010D Bonds):

(a) the purchase price including any constructive Payments, or in the case of a Payment constituting a deemed acquisition of a Nonpurpose Investment (*e.g.*, a Nonpurpose Investment first allocated to Gross Proceeds of the Series 2010D Bonds after it is actually acquired because it is deposited in a sinking fund for the Series 2010D Bonds), the Fair Market Value of the Nonpurpose Investment on the date first allocated to the Gross Proceeds of the Series 2010D Bonds;

(b) nominal rate of interest;

(c) amount of accrued interest (included in purchase price);

(d) par or face amount;

(e) purchase date;

(f) maturity date;

(g) amount of original issue discount or premium (if any);

(h) type of Investment Property;

(i) frequency of periodic payments;

(j) period of compounding;

(k) yield to maturity;

(l) date of disposition;

(m) amount actually or constructively received on disposition (or in the case of a Receipt constituting a deemed disposition of a Nonpurpose Investment which ceases to be allocated to the Gross Proceeds of the Series 2010D Bonds because it is removed from a sinking fund for the Series 2010D Bonds, the Fair Market Value of the Nonpurpose Investment on the date it ceases to be allocated to the Gross Proceeds of the Series 2010D Bonds); and

(n) market price data sufficient to establish the Fair Market Value of such property on the purchase date and disposition date (or deemed purchase or disposition date).

The purchase price, disposition date and the date of determination of Fair Market Value shall be the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding, *i.e.*, the trade date rather than the settlement date. For purposes of the calculation of purchase price and disposition price, brokerage or selling commissions, administrative expenses or similar expenses shall not increase the purchase price of an item and shall not reduce the amount actually or constructively received upon disposition of an item except to the extent such costs constitute Qualified Administrative Costs.

SECTION 7. INVESTMENTS AND DISPOSITIONS. The Authority has been advised by Bond Tax Counsel that the following provisions and procedures apply to the Proceeds of the Series 2010D Bonds.

7.1 **Fair Market Value.** Gross Proceeds of the Series 2010D Bonds may not be allocated to a Payment for the purchase of a Nonpurpose Investment in an amount greater than the Fair Market Value of the Nonpurpose Investment as of the purchase date. Gross Proceeds of the Series 2010D Bonds may not be allocated to a Receipt from the sale of a Nonpurpose Investment in an amount less than the Fair Market Value of the Nonpurpose Investment as of the sale date.

7.2 **Qualified Administrative Costs.** An allocation of Gross Proceeds of the Series 2010D Bonds to a Payment or a Receipt with respect to a Nonpurpose Investment will not be adjusted to take into account any costs or expenses paid, directly or indirectly to purchase, carry, sell, or retire the Nonpurpose Investment ("Administrative Costs") unless such Administrative Costs are Qualified Administrative Costs. Qualified Administrative Costs increase the Payments for, or decrease the Receipts from the Nonpurpose Investments.

7.3 **Bond Tax Counsel.** For purposes hereof, the Authority shall not invest Gross Proceeds of the Series 2010D Bonds at a price other than Fair Market Value unless it obtains an opinion of Bond Tax Counsel to the effect that such investment shall not adversely affect the exclusion from gross income of interest on the Series 2010D Bonds.

SECTION 8. INVESTMENT LIMITATIONS FOR THE PROCEEDS OF THE SERIES 2010D BONDS. The Authority has been advised by Bond Tax Counsel that the following provisions and procedures apply to the proceeds of the Series 2010D Bonds:

8.1 **Generally.** Except as provided in this Section 8, no portion of the Gross Proceeds of the Series 2010D Bonds may be invested, directly or indirectly, in any Investment Property which has a yield higher than the Yield of the Series 2010D Bonds. Gross Proceeds of the Series 2010D Bonds may be invested at a yield higher than the Yield of the Series 2010D Bonds as part of a reasonably required reserve or replacement fund or as part of the $100,000 minor portion, in addition to the temporary periods set forth in Section 8.2.

8.2 **Temporary Periods.** Gross Proceeds of the Series 2010D Bonds invested during any applicable temporary period may be invested without regard to the restrictions of this subsection 8.2 (subject to the Rebate Amount) and the payment of Yield Reduction Amounts. For purposes of this subsection, the terms below are used in the manner that they are used in Reg. § 1.148-9, and the applicable temporary period shall be:

(a) for amounts deposited in the Loan Account – up to six months from the Delivery Date;

(b) for Investment Proceeds of the Series 2010D Bonds – one year beginning on the date of receipt;

(c) for a *Bona Fide* Debt Service Fund (*i.e.*, the Debt Service Account and the Revenue Account) – 13 months from the date of receipt;

(d) for amounts of Net Proceeds which consist of up to six months' accrued interest on the Series 2010D Bonds – 13 months from the Delivery Date;

(e) for amounts of Net Proceeds used to pay costs of issuance of the Series 2010D Bonds, up to 13 months;

(f) for amounts of Prepayments and repayments to be used to make new Loans – up to three months from the date of receipt; and

(g) for all other amounts – 30 days from the Delivery Date or date of receipt.

Gross Proceeds of the Series 2010D Bonds not invested during one of the permitted temporary periods, or not invested as part of the minor portion or as part of a reasonably required reserve or replacement fund, will not be invested at a yield in excess of the Yield on the Series 2010D Bonds.

For purposes of the preceding paragraph, in determining yield on (i) any Nonpurpose Investments allocable to the Net Proceeds of the Series 2010D Bonds; (ii) investment earnings on Net Proceeds which qualified for the six month temporary period; (iii) Prepayments and investment proceeds which qualified for the three month temporary period for recycling; or (iv) other Investment Proceeds of the Series 2010D Bonds which qualified for the one year temporary period, any amount paid to the United States at the same time and in the same manner as rebate amounts are required to be paid (or at such other time or manner as the Internal Revenue Service may prescribe) is treated as a payment for that Nonpurpose Investment that reduces the yield on that investment.

8.3 **No Federal Guarantee.** The Authority shall not invest five percent or more of the Proceeds of the Series 2010D Bonds in federally insured deposits or accounts or otherwise invest such proceeds in any obligation the payment of principal or interest on which is (in whole or in part) a direct obligation of or guaranteed by the United States (or any agency or instrumentality thereof). Notwithstanding the foregoing, the Authority may invest the Proceeds of the Series 2010D Bonds in any of the following:

(a) Any investment guaranteed by the following agencies of the United States:

(i) Federal Housing Administration;

(ii) Veterans Administration;

(iii) Federal National Mortgage Association;

(iv) Federal Home Loan Mortgage Corporation; or

(v) Government National Mortgage Association.

(b) Any investment described in the following subparagraphs:

(i) investment during an initial temporary period until such proceeds are needed for the purpose for which the Series 2010D Bonds were issued;

(ii) investments of amounts in the *Bona Fide* Debt Service Funds, including the Revenue Account; or

(iii) investments in obligations issued by the United States Treasury.

(c) Nothing in this Section shall be deemed to modify or affect the definition of the Rebate Requirement or its application under Section 6 herein.

SECTION 9. GROSS PROCEEDS CONTROLLED BY BORROWERS. The Authority is aware that certain amounts held by the Borrowers may constitute Gross Proceeds. Each Borrower has covenanted not to invest Gross Proceeds in excess of the Yield on the Series 2010D Bonds. Disbursements of proceeds of the Loan shall not be reinvested by the Borrower. Each Borrower has also covenanted not to do anything that would cause the Series 2010D Bonds to be "federally guaranteed bonds", or otherwise use the Proceeds of the Series 2010D Bonds in a manner which would cause the Series 2010D Bonds to lose the exclusion of interest on the Series 2010D Bonds from gross income for purposes of federal income taxation. Each Borrower has covenanted to comply with the rebate requirements of the Code. This will involve keeping adequate records and making certain calculations and remitting certain amounts, if necessary, to the Authority in furtherance of the Rebate Requirement. The Authority, at such times as it deems necessary to ensure compliance with the Rebate Requirement (and in all events prior to each Computation Date), shall take the necessary steps to solicit and obtain the requisite information from the respective Borrowers.

SECTION 10. RESTRICTIONS ON NONGOVERNMENTAL USE. The Authority does not reasonably expect, as of the date hereof, that the Series 2010D Bonds will meet either the private business tests or the private loan financing test. These tests and related provisions are set forth in Regulation Sections 1.141-1 through 1.141-16. The private business tests consist of the private business use test and the private security or payment test and are described in Appendix A to this Tax Compliance Certificate. In addition, the Authority will not take a deliberate action subsequent to the date hereof that causes the private business tests or private loan financing test to be met without a written opinion of Bond Tax Counsel to the effect that any such deliberate action will not adversely affect the exclusion of interest on the Series 2010D Bonds from gross income for federal income tax purposes.

SECTION 11. MANAGEMENT CONTRACT LIMITATIONS. Neither the Authority nor the Borrowers shall not enter into, materially modify or extend a management or service agreement with respect to any portion of the improvements or projects financed or refinanced with Proceeds of the Series 2010D Bonds with any entity other than a state or a local governmental unit unless such agreement complies with Rev. Proc. 97-13 issued January 10, 1997, and Rev. Proc. 2001-39 issued June 18, 2001, or any successor revenue procedure or regulation thereto.

SECTION 12. RESTRICTIONS ON POOLED FINANCING BONDS. More than $5,000,000 of the Proceeds of the Series 2010D Bonds will be used to make or finance the Loans. Accordingly, the Series 2010D Bonds will be "pooled financing bonds" within the meaning of Section 149(f) of the Code and must meet certain requirements set forth in Section 149(f) of the Code. As of the close of the one-year period beginning on the date hereof, at least 30% of the net proceeds of the issue (as of the close of such period) must have been used directly or indirectly to make or finance Loans. Also, as of the close of the three-year period beginning on the date hereof, at least 95% of the net proceeds of the issue (as of the close of such period) must have been used directly or indirectly to make or finance Loans. There must also be provisions requiring the redemption of the bonds if these requirements are not met. As set forth in Section 3.24 hereof, the Authority reasonably expects to expend more than 30 percent and 95 percent of the proceeds of the Series 2010D Bonds during the one-year and three-year periods and the Series 2010D Bonds are being made subject to one-year extraordinary redemption and three-year extraordinary redemption. Additionally, Section 149(f) of the Code sets forth certain costs of issuance payment requirements that the Series 2010D Bonds will satisfy because the payment of legal and underwriting costs associated with the issuance of the Series 2010D Bonds is not contingent, and because at least 95% of the reasonably expected legal and underwriting costs associated with the issuance of the Series 2010D Bonds will be paid not later than the 180th day after the date of issuance on the Series 2010D Bonds. Finally, the Series 2010D Bonds are not subject to the written loan commitment requirement of Section 149(f)(4) of the Code, because the Authority is a state agency issuing pooled financing bonds in order to make or finance loans to subordinate governmental units of such State.

SECTION 13. RESTRICTIONS ON HEDGE BONDS. The Series 2010D Bonds do not constitute an issue of hedge bonds because the Authority reasonably expects that 85% of the spendable proceeds of the Series 2010D Bonds will be spent within three years of their respective issuance dates. In addition, none of the proceeds of the Series 2010D Bonds other than the amounts invested in the Debt Reserve Fund Account and Operating Reserve Account will be, directly or indirectly, invested in Nonpurpose Investments having a term of four years or more. Accordingly, not more than 50% of the proceeds of the Series 2010D Bonds will be invested in Nonpurpose Investments having a "substantially guaranteed yield" (within the meaning of Section 149(g) of the Code), and the Series 2010D Bonds are not an issue of "hedge bonds" within the meaning of Section 149(g) of the Code.

SECTION 14. SEGREGATION OF PROCEEDS. In order to perform the calculations required by the Code, it is necessary to separately account for or cause to be separately accounted for all of the Gross Proceeds and each specific item of Investment Property acquired therewith (including Investment Property acquired by the Borrowers with Gross Proceeds). To that end, the Authority will establish separate sub-accounts or take other accounting measures in order to account fully and with specificity for all Gross Proceeds and each item of Investment Property acquired therewith.

SECTION 15. ACCOUNTING AND SUBSTANTIATION REQUIREMENTS. The Authority must maintain records of the calculations required by all of the Sections of this Tax Compliance Certificate. In particular, the Authority must maintain all evidence necessary to exhibit timely compliance with the payment and calculations required by Section 6.

SECTION 16. SURVIVAL OF DEFEASANCE OR PAYMENT. Notwithstanding anything in this Tax Compliance Certificate or the Resolution to the contrary, the obligation of the Authority to remit the Rebate Amount and Yield Reduction Amounts to the United States Treasury Department and to comply with all other requirements contained in this Tax Compliance Certificate shall survive the defeasance of the Series 2010D Bonds.

SECTION 17. INFORMATION REPORTING. The Authority has reviewed the Internal Revenue Service Form 8038-B to be filed in connection with the issuance of the Series 2010D Bonds, a copy of which is attached hereto as Exhibit "D", and all of the information contained therein is, to the best of the Authority's knowledge, true and complete.

SECTION 18. BUILD AMERICA BONDS.

18.1 **<u>In General</u>.** The Series 2010D Bonds are being issued before January 1, 2011, and the Authority has made irrevocable elections to have Code Section 54AA(d)(1)(c) and 54AA(g)(2)(B) apply to the Series 2010D Bonds. None of the Series 2010D Bonds has an issue price or sale price in the initial offering which has more than a de minimis amount of premium over the stated principal amount of the Series 2010D Bonds (determined under rules similar to the rules of Code Section 1273(a)(3).

18.2 **<u>Use of Series 2010D Proceeds</u>.** The cost of issuance of the Series 2010D Bonds paid for from the proceeds of the Series 2010D Bonds, is $____________ (including underwriter's discount), an amount not greater than two percent of the proceeds of the Series

2010D Bonds. One hundred percent of the available project proceeds (as defined in Code Section 54A which excludes amounts not exceeding two percent devoted to costs of issuance) of the Series 2010D Bonds, there being no reasonably required reserve for the Series 2010D Bonds, are to be used by the Authority for capital expenditures which are not working capital expenditures.

18.3 **Otherwise Tax Exempt.** The Series 2010D Bonds are not private activity bonds, and, but for Code Section 54AA, the interest on the Series 2010D Bonds would be excludable from gross income under Code Section 103. The Series 2010D Bonds meet the arbitrage requirements as if they were tax-exempt as set forth above.

SECTION 19. AMENDMENTS. This Tax Compliance Certificate has been executed in order to maintain the qualification of the Series 2010D Bonds as "Build America Bonds" for purposes of federal income taxation. This Tax Compliance Certificate sets forth the information, representations, and procedures necessary in order for Bond Tax Counsel to render their opinion regarding the qualification of the Series 2010D Bonds as "Build America Bonds" for purposes of federal income taxation and may be amended or supplemented from time to time to maintain the tax exemption only with the approval of Bond Tax Counsel.

Notwithstanding any other provision herein, the provisions and procedures contained herein may be and shall be deemed modified to the extent the Authority secures an opinion of Bond Tax Counsel that any action required hereunder is no longer required or that some further action is required in order to maintain the exclusion of interest on the Series 2010D Bonds from gross income for purposes of federal income taxation.

SECTION 20. SUPPLEMENTATION OF THIS TAX COMPLIANCE CERTIFICATE. The Authority understands the need to supplement this Tax Compliance Certificate periodically to reflect further developments in the federal income tax laws governing the qualification of the Series 2010D Bonds as "Build America Bonds" and will periodically seek the advice of its Bond Tax Counsel as to the propriety of seeking the review of, and supplements to, this Tax Compliance Certificate from Bond Tax Counsel.

IN WITNESS WHEREOF, I have hereunto set my hand to this Tax Compliance Certificate this 18th day of November, 2010.

MINNESOTA PUBLIC FACILITIES AUTHORITY

By:____________________________
Terry Kuhlman
Executive Director