TAX COMPLIANCE CERTIFICATE

$5,370,000
MINNESOTA PUBLIC FACILITIES AUTHORITY
Transportation Revenue Refunding Bonds
Series 2010-T2 (Closed Loan Pool)

November 18, 2010

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MINNESOTA PUBLIC FACILITIES AUTHORITY
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In connection with the issuance by the Minnesota Public Facilities Authority ("Authority") of its $5,370,000, aggregate principal amount, Transportation Revenue Refunding Bonds, Series 2010-T2 Bonds (Closed Loan Pool) ("Series 2010-T2 Bonds"), dated November 18, 2010, in furtherance of the representations contained herein, and pursuant to Reg. § 1.148-2(b)(2), the Authority executes this tax compliance certificate.

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

Accounting Method shall mean both the overall method used to account for the Gross Proceeds of the Series 2010-T2 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 the Minnesota Statutes, Chapter 446A, as the same may from time to time be amended and supplemented

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

***Bona Fide* Debt Service Fund** shall mean a fund, which may include proceeds of the Series 2010-T2 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 Principal and Interest Account.

Bond Funded Loans shall mean the Loans funded from the Prior Bonds.

Bond Tax Counsel shall mean Briggs and Morgan, Professional Association, or another law firm, appointed by the Attorney General, 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 on Appendix A to the Official Statement of the Authority dated October 22, 2010 relating to the Series 2010-T2 Bonds.

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 2010-T2 Bonds and amounts in excess of $25,000 that are not Gross Proceeds of the Series 2010-T2 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 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 2010-T2 Bonds and interest begins to accrue on the Series 2010-T2 Bonds for federal income tax purposes.

De minimus 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.

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 that 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 2010-T2 Bonds. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the Series 2010-T2 Bonds until 15 days after the Issue Date of the 2010-T2 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 2010-T2 Bonds. A provider that is a

related party to a provider that has a material financial interest in the Series 2010-T2 Bonds is deemed to have a material financial interest in the Series 2010-T2 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 retains the following records with the Series 2010-T2 Bond documents until three years after the last outstanding Series 2010-T2 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, 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 2010-T2 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.

Gross Proceeds shall mean any Proceeds and Replacement Proceeds of the Series 2010-T2 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 Gross Proceeds of the Series 2010-T2 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), or (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, provided that 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. 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 2010-T2 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, or (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 2010-T2 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. § 1.148-8(e)(4)), 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 2010-T2 Bonds.

Net Proceeds shall mean generally the amount received from the sale of the Series 2010-T2 Bonds to the public, including accrued interest, if any, 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 2010-T2 Bonds to carry out the governmental purpose for which the Series 2010-T2 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 2010-T2 Bonds other than the Loans acquired with Gross Proceeds under the Loan Agreements.

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 minimus 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 minimus 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.

Pledged Loans shall mean the loans made to the Borrowers from funds on deposit in the Pledged Loan Account of the Prior Bonds (or from other Authority funds prior to the issuance of the Series 2010-T2 Bonds) pursuant to loan agreements and evidenced by promissory notes of the Borrowers.

Prior Bonds shall mean the Authority's Transportation Revenue Bonds, Series 2001 (the Closed Loan Pool).

Prior Resolution shall mean the Authority's Series 2001 Bond Resolution originally adopted on September 20, 2001, as from time to time amended, supplemented, or restated.

Proceeds shall mean any Net Sale Proceeds, Investment Proceeds and any Transferred Proceeds of the Series 2010-T2 Bonds.

Program shall mean the Authority's revolving fund program, which provides loan financing for certain costs of transportation projects undertaken by the Borrowers.

Project shall generally mean those particular transportation projects being financed or refinanced by the Borrowers with proceeds of the Pledged 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 2010-T2 Bonds, *i.e.*, the Pledged 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 2010-T2 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 Prior Bonds to Transferred Proceeds of the Series 2010-T2 Bonds.

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

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 2010-T2 Bonds or to the governmental purpose of the Series 2010-T2 Bonds to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Series 2010-T2 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 2010-T2 Bonds. For this purpose, a substantial beneficiary of the Series 2010-T2 Bonds includes the Authority and any related party to the Authority. A person is not a substantial beneficiary of the Series 2010-T2 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 2010-T2 Bonds.

A pledged fund is any amount that is directly or indirectly pledged to pay principal of or interest on the Series 2010-T2 Bonds, provided that there is reasonable assurance that the amount will be available to pay principal of or interest on the Series 2010-T2 Bonds even if the Authority encounters financial difficulty. A pledge to a guarantor of the Series 2010-T2 Bonds is an indirect pledge to secure payment of principal of or interest on the Series 2010-T2 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 2010-T2 Bonds remain outstanding longer than is reasonably necessary for their governmental purposes, subject to certain safe harbors.

Resolution shall mean the Authority's Series 2010 Bond Resolution originally adopted on August 9, 2010, as from time to time amended, supplemented, or restated.

Sale Proceeds shall mean any amount actually or constructively received from the sale of the Series 2010-T2 Bonds, including amounts used to pay underwriter's discount or compensation and accrued interest other than pre-issuance accrued interest.

Series 2010-T2 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 Section 103(a) of the Code, as such Tax Compliance Certificate may be amended from time to time.

Transferred Proceeds shall mean any Proceeds of the Prior Bonds that become Proceeds of the Series 2010-T2 Bonds and cease to be proceeds of the Prior Bonds pursuant to allocation rules provided in Reg. § 1.148-9(b).

Generally, when Proceeds of the Series 2010-T2 Bonds discharge any of the outstanding principal amount of the Prior Bonds, the proceeds of the Prior Bonds become Transferred Proceeds of the Series 2010-T2 Bonds in an amount equal to the proceeds of the Prior Bonds on the date of that discharge, multiplied by a fraction (i) the numerator of which is the principal amount of the Prior Bonds discharged with the Proceeds of the Series 2010-T2 Bonds on the date of that discharge, and (ii) the denominator of which is the total outstanding principal amount of the Prior Bonds on the date immediately before the date of that discharge.

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.

(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 and 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 2010-T2 Bonds shall mean in the case of the Series 2010-T2 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 2010-T2 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 2010-T2 Bonds of which such bonds are a part.

Yield on the Series 2010-T2 Bonds shall mean the Yield on the Series 2010-T2 Bonds computed in accordance with Section 3.7 of this Tax Compliance Certificate, which is 1.810338%. The Yield on the Series 2010-T2 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 2010-T2 Bonds or otherwise associated with the Series 2010-T2 Bonds in a transaction that is separate and apart from the original sale of the Series 2010-T2 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 2010-T2 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 Piper Jaffray & Co., Minneapolis, Minnesota, as underwriter ("Underwriter") (attached hereto as Exhibit "A"); and (ii) the representations and certifications contained in the Certificate of the Financial Advisor (attached hereto as Exhibit "B").

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 2010-T2 Bonds are being issued pursuant to the Act and under and pursuant to the Resolution.

2.2 **Purpose**. The Series 2010-T2 Bonds are being issued for the purposes of (i) refunding the Prior Bonds, (ii) funding a Debt Service Reserve Account equal to the Debt Service Reserve Requirement, and (iii) paying certain costs of issuance of the Series 2010-T2 Bonds.

2.3 **Refunding Plan.** The Proceeds of the Series 2010-T2 Bonds will be used on November 19, 2010 to refund the Prior Bonds for the purpose of realizing net present value debt service savings. The Authority will also be using existing funds pledged to the Prior Bonds in the amount of $3,342,820.68.

2.4 **No Adverse Action**. The Authority has neither received notice that its certifications as to expectations may not be relied upon with respect to its obligations, nor has it been advised that any adverse action by the Commissioner of Internal Revenue is contemplated.

2.5 **Responsible Person**. The undersigned is a person charged, together with others, with the responsibility for issuance of the Series 2010-T2 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 2010-T2 Bonds remain outstanding and unpaid, to use any of the monies on deposit under the Resolution or any other Gross Proceeds of the Series 2010-T2 Bonds (whether derived from the sale of the Series 2010-T2 Bonds or from any other source) in a manner which will cause the Series 2010-T2 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 2010-T2 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 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 2010-T2 Bonds.**

(a) **Total Net Proceeds.** The amount of Net Proceeds received by the Authority from the sale of the Series 2010-T2 Bonds (principal amount of $5,370,000.00 plus accrued interest of $-0-, plus net original issue premium of $286,332.15, less underwriter's discount of $38,115.38) is $5,618,216.77 ("Net Proceeds").

(b) **Pledged Loan Account.** No Net Proceeds of the Series 2010-T2 Bonds will be deposited in the Pledged Loan Account.

(c) **Intentionally Omitted.**

(d) **Expenses of Issuance.** No amount of the Net Proceeds of the Series 2010-T2 Bonds will be deposited in the Costs of Issuance Account. The Authority will deposit $48,904.76 to be used for the payment of the expenses incurred in connection with the issuance of the Series 2010-T2 Bonds.

(e) **Underwriters' Discount.** An amount of the proceeds of the Series 2010-T2 Bonds equal to $38,115.38 will be paid to the Underwriter on the date hereof.

(f) **Principal and Interest Account.** An amount of Net Proceeds equal to $5,618,216.77 of the Series 2010-T2 Bonds will be deposited to the Principal and Interest Account established under the Prior Resolution and used to pay the registered owners of the Outstanding Prior Bonds on November 19, 2010. Additionally, the Authority will deposit an amount equal to $3,342,820.68 to the Principal and Interest Account established under the Prior Bond Resolution from available Authority monies pledged to payment of the Prior Bonds and such amount will also be used to pay the registered owners of the Prior Outstanding Bonds on November 19, 2010.

(g) **Debt Service Reserve Requirement.** No proceeds of the Series 2010-T2 or any other bonds of the Authority will be deposited to the Debt Service Reserve Account. The Authority will deposit an amount equal to $537,000 to satisfy the Debt Service Reserve Requirement established under the Resolution from available monies other than proceeds of the Series 2010-T2, the Prior Bonds or any other bonds of the Authority.

3.2 **Investment Earnings.** Investment earnings on amounts deposited in the funds described above will be deposited into the Revenue Account and then to the Principal and Interest Account to be used to pay debt service on the Series 2010-T2 Bonds.

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 2010-T2 Bonds is not expected to exceed the amount reasonably necessary for the purposes for which the Series 2010-T2 Bonds are being issued. There are no monies related to the Prior Bonds which on the date hereof are available to contribute to the Debt Service Reserve Account established under the Prior Resolution. The Series 2010-T2 Bonds and the Authority's other monies from sources other than bonds of the Authority are the sole sources to pay the Prior Bonds.

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 2010-T2 Bonds ("Overall Accounting Method"). The Authority shall additionally use a reasonable Consistently Applied Accounting Method for allocating Proceeds of the Series 2010-T2 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.

(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 2010-T2 Bonds or for such other period as the Treasury Department may, by regulations or rulings, provide.

(d) **Timing.** 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 a 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 2010-T2 Bonds or the date 60 days after the redemption or retirement (not including a defeasance) of all Series 2010-T2 Bonds, if earlier.

3.5 **No Contingent Early Redemption.** The Series 2010-T2 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 **No Special Yield Calculation Due to Optional Early Redemption, Etc.** None of the Series 2010-T2 Bonds (1) are subject to optional redemption within five years of the date hereof, (2) are issued at an issue price that exceeds the stated redemption price at maturity by more than one-fourth of one percent (.25%) multiplied by the product of the stated redemption price at maturity and the number of complete years to the first optional redemption date of the bond, or (3) bears interest at increasing interest rates (*i.e.*, a stepped coupon bond). Accordingly, the Yield on the Series 2010-T2 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.

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. Thus, generally, yield on an investment allocated to the Series 2010-T2 Bonds is the discount rate that when used in computing, as of the date the investment is first allocated to the Series 2010-T2 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 yield on the Series 2010-T2 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 2010-T2 Bonds and amounts reasonably expected to be paid as fees for a qualified guarantee on the Series 2010-T2 Bonds produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Series 2010-T2 Bonds as of the date hereof. For these purposes, the Special Yield Bonds are treated as redeemed at their stated redemption price on the optional redemption date that would produce the lowest yield. The issue price of each maturity of the Series 2010-T2 Bonds is the initial offering price of such Series 2010-T2 Bonds to the public, as shown on the cover page of the Official Statement with respect to the Series 2010-T2 Bonds. The aggregate of the issue price of the Series 2010-T2 Bonds is $5,656,332.15, as indicated on Exhibit "A" attached hereto, or par of $5,370,000, plus accrued interest of $-0- plus net original issue premium of $286,332.15. 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 2010-T2 Bonds on the date hereof calculated in the manner described in this paragraph is 1.810338%.

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 2010-T2 Bonds or otherwise associated with the Series 2010-T2 Bonds in a transaction that is separate and apart from the original sale of the Series 2010-T2 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 2010-T2 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 Pledged Loans and investment earnings on all accounts allocable to the Series 2010-T2 Bonds will be deposited in the Revenue Account and will be applied in the following manner:

(i) first, to the Principal and Interest Account, on or prior to each Interest Payment Date (each March 1 and September 1, beginning on March 1, 2011) and each Principal Installment Date (each March 1), an amount sufficient, together with amounts already on deposit therein to pay the interest and principal due and payable on the Series 2010-T2 Bonds on such Interest Payment Date or Principal Installment Date;

(ii) second, on or after each date fixed for redemption of the Series 2010-T2 Bonds, to the Principal and Interest Account the amount needed to increase the balance therein to the redemption price for Series 2010-T2 Bonds subject to redemption which have been called for redemption;

(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; and

(iv) fourth, on each March 2, all amounts remaining in the Revenue Account will be transferred to the Surplus Account.

For purposes of accounting for the Revenue Account and the Principal and Interest 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 2010-T2 Bonds deposited in any account established under the Resolution shall first be applied to pay debt service on the Series 2010-T2 Bonds to the extent thereof.

(ii) **Intentionally Omitted.**

(iii) Revenues derived from Pledged Loans made from sources other than proceeds of the Series 2010-T2 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 2010-T2 Bonds.

(iv) Shortfalls in the Debt Service Reserve Fund Account shall be funded first with Revenues derived from Pledged Loans made from sources other than Proceeds of the Series 2010-T2 Bonds and proceeds of any other tax-exempt bonds of the Authority, and to the extent Revenues derived from Pledged 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 2010-T2 Bonds.

(v) Any Revenues derived from Pledged Loans made from 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 Surplus Account shall be segregated and invested at a yield not greater than the yield on the Series 2010-T2 Bonds.

(vi) 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 and the Initial Deposit and Investment Instructions to State Investment Board executed by the Executive Director of the Authority.

3.10 **Debt Service Account.** Except for the Principal and Interest Account, the Debt Service Reserve 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 2010-T2 Bonds that is reasonably expected to be used to pay debt service on the Series 2010-T2 Bonds. The Principal and Interest Account and the Revenue Account are accounts that will at all times while the Series 2010-T2 Bonds are outstanding be used primarily to achieve a proper matching of revenues and principal and interest payments on the Series 2010-T2 Bonds within each Bond Year and will be depleted at least annually on or about March 2. Monies deposited in such accounts will be used to pay debt service on the Series 2010-T2 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 2010-T2 Bonds within one year of receipt.

3.11 **Debt Service Reserve Account.** The Debt Service Reserve Account is funded on the date hereof with an amount equal to the Debt Service Reserve Requirement. To the extent of available Revenues under the Resolution, the Debt Service Reserve Account will be funded at a level sufficient to maintain the Debt Service Reserve Requirement.

Amounts in the Debt Service Reserve Account will be transferred to the accounts in the Debt Service Account, if needed, to make up any deficiency therein. The amounts deposited in the Debt Service Reserve Account, which are derived from available Authority monies in its Transportation Revolving Loan Fund, are not "proceeds of the sale" of the Series 2010-T2 Bonds, as that term is used in Section 148(d)(1) of the Code since such amounts were contributed and earmarked by the federal government to fund the Program.

The amount maintained (as of the date hereof and from time to time) in the Debt Service Reserve Account, to the extent necessary as of any calculation date to satisfy the Debt Service Reserve Requirement, is a vital factor in the marketing of the Series 2010-T2 Bonds at the most advantageous cost to the Authority and is reasonably required. Further, such amount in the Debt Service Reserve Account is necessary to accomplish other government purposes including leveraging federal grant proceeds so that affordable, below market loans can be made to political subdivisions in the State to finance construction of transportation facilities.

Amounts and investments in the Debt Service Reserve Account not exceeding the Debt Service Reserve Requirement will be valued from time to time in a reasonable Consistently Applied manner that is permitted under Reg. § 1.148-5(d). Such investments will be subject to the payment of Yield Reduction Amounts to achieve yield restriction if the Debt Service Reserve Requirement, exceeds 10% of the stated principal amount of the outstanding Series 2010-T2 Bonds.

3.12 **Surplus Account.** The Surplus Account is funded from excess revenues in the Revenue Account on each March 2 and from excess amounts on deposit from time to time in the Debt Service Reserve Account. To the extent total revenues (revenues from loan repayments and certain investment earnings) are not sufficient to meet annual debt service requirements, the deficiency is funded first from amounts in the Surplus Account and then from amounts in the

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Debt Service Reserve Account. Amounts in the Surplus Account may be transferred out without a requirement to replenish on a periodic basis.

Amounts deposited in the Surplus Account are not expected to be used to pay debt service on the Series 2010-T2 Bonds or any other outstanding bonds of the Authority. In addition, there is no reasonable assurance that such excess amounts will be available to pay principal or interest on the Series 2010-T2 Bonds or any other outstanding bonds of the Authority in the event the Authority encounters financial difficulty. Amounts on deposit in the Surplus Account may be withdrawn by the Authority on March 2, 2011 and any date thereafter free and clear of the pledge of the Resolution to be used for any legal purpose of the Authority provided that the value of the amount on deposit in the Debt Service Reserve Account is at least equal to the Debt Service Reserve Requirement and the Authority prepares a Projected Revenue Certificate which shows that after such withdrawal there shall be Pledged Revenue Coverage at least equal to 120% and Pledged Asset Coverage at least equal to 100% for each Bond Year and as of each March 2, as the case may be. The Authority reasonably expects and intends to withdraw all amounts on deposit in the Surplus Account each year ended March 1, based upon cash flows prepared by the Authority. The Authority has current loan demand and/or loan programs which are of a sufficient magnitude to utilize such funds if so directed by the Authority. Therefore, such excess funds are not Gross Proceeds, are not subject to yield restriction or the Rebate Requirement.

3.13 **Intentionally Omitted.**

3.14 **Intentionally Omitted.**

3.15 **Costs of Issuance Account.** The Authority shall use the amounts deposited to the Costs of Issuance Account from existing monies pledged to the payment of the Prior Bonds to pay Costs of Issuance on the Series 2010-T2 Bonds.

3.16 **Arbitrage Rebate Account.** The Authority reasonably expects to make deposits to the Arbitrage Rebate Account when, as and if required, from amounts on deposit in the following accounts in the following order: the Revenue Account, Surplus Account and the Debt Service Reserve Account which are not derived from Net Proceeds and investment earnings on Net Proceeds of the Series 2010-T2 Bonds.

3.17 **Borrower Funds.** The Borrowers may establish funds or accounts pledged to the payment of debt service on their Pledged 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 2010-T2 Bonds.

3.18 **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 2010-T2 Bonds has been established, nor are any funds or accounts expected to be established, pursuant to any instrument.

3.19 **Single Issue.** There are no other issues of governmental obligations: (a) sold at substantially the same time as the Series 2010-T2 Bonds; (b) sold pursuant to the same plan of financing as the Series 2010-T2 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.

3.20 The Yield Limitations as to Series 2010-T2 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) **Surplus Account.** Amounts deposited in the Surplus Account are not Gross Proceeds of the Series 2010-T2 Bonds and, accordingly, may be invested without regard to yield restriction.

(iii) **Surplus Account — Investment Earnings on Net Proceeds.** Any investment earnings derived from investments of Net Proceeds (and investment earnings thereon) deposited in the Surplus Account shall be segregated and invested at a yield not greater than the yield on the Series 2010-T2 Bonds.

(iv) **Arbitrage Rebate Account.** Amounts deposited in 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) **Principal and Interest Account.** Amounts periodically deposited into and held in the Account which are set aside for the payment of the principal of and interest on the Series 2010-T2 Bonds will be invested without regard to yield restriction. Prepayments of Pledged Loans, funded interest and 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 2010-T2 Bonds.

(viii) **Costs of Issuance Account — Expenses of Issuance.** Amounts, if any, deposited in the Costs of Issuance Account for payment of expenses of issuance of the Series 2010-T2 Bonds will be invested, subject to the Rebate Requirement, without regard to yield restrictions for a period not to exceed 90 days 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 2010-T2 Bonds or transferred to the Loan Account.

(ix) **Pledged Loan Account — Net Proceeds.** No Net Proceeds are deposited in the Pledged Loan Account for the purpose of financing the Projects.

(x) **Pledged Loan Account — Non-Gross Proceeds.** Amounts deposited in the Pledged Loan Account from amounts which are not Gross Proceeds of the Series 2010-T2 Bonds may be invested without regard to yield restriction. Such amounts shall be deposited in a segregated account (designated the "Equity Subaccount") within the Pledged Loan Account and are not subject to allocation to the Series 2010-T2 Bonds. Such amounts are not Gross Proceeds since they are not expected to be used to pay debt service on the Series 2010-T2 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 2010-T2 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).

3.21 **Additional Investment Restrictions.** All Nonpurpose Investments acquired with Gross Proceeds of the Series 2010-T2 Bonds will be acquired or disposed of pursuant to Section 8 of this Tax Compliance Certificate.

3.22 **Program Investments.** The Pledged Loans which become Transferred Proceeds of the Bonds were made with the proceeds of the Prior Bonds. The Authority has determined that the portion of the Pledged Loans funded with Proceeds of the Prior Bonds (the "Bond Financial Portion") is 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 transportation systems, which are investments acquired by the Authority to carry out the governmental purpose of the Series 2010-T2 Bonds; (b) at least 95% of the cost of the Bond Financial Portion of the Pledged Loans will be obligations of such Borrowers; (c) at least 95% of the amounts received by the Authority with respect to the Bond Financial Portion of such Pledged Loans will be used to pay principal, interest or redemption prices on the Series 2010-T2 Bonds, or to reimburse or to pay for administrative costs of issuing the Series 2010-T2 Bonds or administrative costs directly related to the Program; (d) the Program documents prohibit any obligor on a Pledged Loan or any related party from purchasing any Series 2010-T2 Bonds in an amount related to the amount of the Pledged Loan acquired from the obligor; and (e) the Authority has not waived the right to treat the Pledged Loans as a "program investment." The Borrowers will pay to the Authority a Service Charge pursuant to the Resolution. The Authority may sell the Pledged 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 2010-T2 Bonds. The yield on the Pledged Loans in the Pledged Loan Account taking into account the Service Charge will not exceed the Yield of the Series 2010-T2 Bonds by more than one and one-half percent (1-1/2%).

3.23 **No Replacement.** No portion of a Project will be Investment Property. No portion of the amounts received from the sale of the Series 2010-T2 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 2010-T2 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 2010-T2 Bonds does not exceed 120% of the average reasonably expected economic life of the Projects financed or refinanced by the Series 2010-T2 Bonds, determined in the same manner as under Section 147(b) of the Code. Accordingly, the term of the Series 2010-T2 Bonds is not longer than is reasonably necessary for the governmental purposes of the Series 2010-T2 Bonds and no "other replacement proceeds" will arise which are allocable to the Series 2010-T2 Bonds under Reg. § 1.148-1(c)(4).

3.24 **Universal Cap.** The Authority reasonably expects on the date hereof, that the Universal Cap will not reduce the amount of Gross Proceeds allocable to the Series 2010-T2 Bonds during the term of the Series 2010-T2 Bonds. Accordingly, the Universal Cap need not be applied on any date on which each of the following characteristics apply to the Series 2010-T2 Bonds:

(a) No Replacement Proceeds are allocable to the Series 2010-T2 Bonds, other than replacement proceeds in a *Bona Fide* Debt Service Fund, or the Debt Service Reserve Account;

(b) The Net Sale Proceeds of the Series 2010-T2 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 the Principal and Interest Account and expended as originally expected;

(c) The Series 2010-T2 Bonds do not refund a prior issue that has unspent proceeds allocable to it on any date Proceeds of the Series 2010-T2 Bonds pay principal on such prior issue;

(d) None of the Series 2010-T2 Bonds are retired prior to the date on which those Series 2010-T2 Bonds are treated as retired in computing the Yield on the Series 2010-T2 Bonds; and

(e) No proceeds of the Series 2010-T2 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 2010-T2 Bonds are allocated and remain, allocated to the Series 2010-T2 Bonds to the extent that the Value of Nonpurpose Investments do not exceed the Value of all outstanding Series 2010-T2 Bonds ("Universal Cap"). It is important to note that the Pledged 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 2010-T2 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 2010-T2 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 2010-T2 Bonds exceeds the Universal Cap for the Series 2010-T2 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 2010-T2 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 2010-T2 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 2010-T2 Bonds are not taken into account in determining the Value of the Nonpurpose Investments and those Nonpurpose Investments remain allocated to the Series 2010-T2 Bonds.

3.25 **Principal and Interest Account.** The amounts deposited in the Principal and Interest Account established under the Prior Resolution on the date hereof will be sufficient to pay all of the interest on and the maturing principal of the Prior Bonds on November 19, 2010.

3.26 **Transferred Proceeds of Prior Bonds.** Pledged Loans made with proceeds of the Prior Bonds will become Transferred Proceeds of the Series 2010-T2 Bonds according to the Ratable Allocation Method.

3.27 **Excess Proceeds.** Pursuant to Reg. § 1.148-10(c), all Gross Proceeds deposited or retained in the Principal and Interest Account allocable to the Prior Bonds, other than amounts used to pay principal and interest on the Prior Bonds, will be excess gross proceeds ("Excess Gross Proceeds"). Excess Gross Proceeds of the Series 2010-T2 bonds shall not exceed 1% of the Sale Proceeds allocable to the Series 2010-T2 Bonds.

3.28 **Prior Bonds Not Hedge Bonds.** The Authority reasonably expected, as of the respective issue dates of the Prior 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 date of issue. In addition, not more than 50% of the proceeds of the Prior Bonds was invested in nonpurpose investments having substantially guaranteed yield for four years or more.

Section 4. NO WORKING CAPITAL. No portion of the Net Proceeds of the Series 2010-T2 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 2010-T2 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 2010-T2 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; (vi) costs that do not exceed 5% of the issue price of the Series 2010-T2 Bonds (net of pre-issuance accrued interest) and that are directly related to capital expenditures financed by the Series 2010-T2 Bonds (*e.g.*, initial operating expenses for the Project); (vii) principal and interest on the Series 2010-T2 Bonds paid from excess unexpected sale or investment proceeds; (viii) principal or interest on the Series 2010-T2 Bonds paid from investment earnings on a reserve or replacement fund deposited in a *bona fide* debt service fund; and (ix) payment of principal, interest, or redemption premium on a refunded issue, and for a crossover refunding issue, interest on that issue. Accordingly, no portion of the Net Proceeds of the Series 2010-T2 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 2010-T2 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 for any other series of bonds. Such accounts will hold only amounts which are Gross Proceeds of the Series 2010-T2 Bonds, and will be invested separately in specifically identified investments which are directly traceable to the Gross Proceeds of the Series 2010-T2 Bonds. Thus no account established under the Resolution (i) will contain both Gross Proceeds of the Series 2010-T2 Bonds and other amounts in excess of $25,000 that are not Gross Proceeds of the Series 2010-T2 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 account" 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 2010-T2 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 2010-T2 Bonds; over

(b) the Future Value, as of that date, of all Payments on Nonpurpose Investments allocated to Gross Proceeds of the Series 2010-T2 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 2010-T2 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 2010-T2 Bonds do not vary during the term of the Series 2010-T2 Bonds. Accordingly, any amounts earned on amounts contributed to a *Bona Fide* Debt Service Fund for the Series 2010-T2 Bonds shall not be taken into account in calculating the Rebate Requirement.

6.4 **Intentionally Omitted.**

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 from Pledged Assets and Pledged Revenues sufficient to satisfy payment of the Rebate Amount pursuant to the Rebate Requirement 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 2010-T2 Bonds must be made for a Computation Date that is not later than five years after the issue date of the Series 2010-T2 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 2010-T2 Bonds equals at least 90% of the Rebate Amount as of that date. The final Computation Date shall be the date the Series 2010-T2 Bonds are discharged, *i.e.*, the date of the retirement of the last obligation of the Series 2010-T2 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 2010-T2 Bonds equals 100% of the Rebate Amount as of the final Computation Date. The Authority will make the necessary calculations and payments with respect to the Prior Bonds on November 19, 2010, the Final Computation Date under the Prior Resolution.

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 pursuant to the Rebate Requirement 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 2010-T2 Bonds and the following with respect to each and every Nonpurpose Investment acquired with or otherwise allocated to Gross Proceeds of the Series 2010-T2 Bonds (other than Revenues of the Authority in a *Bona Fide* Debt Service Fund for the Series 2010-T2 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 2010-T2 Bonds after it is actually acquired because it is deposited in a sinking fund for the Series 2010-T2 Bonds), the Fair Market Value of the Nonpurpose Investment on the date first allocated to the Gross Proceeds of the Series 2010-T2 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 2010-T2 Bonds because it is removed from a sinking fund for the Series 2010-T2 Bonds the Fair Market Value of the Nonpurpose Investment on the date it ceases to be allocated to the Gross Proceeds of the Series 2010-T2 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 2010-T2 Bonds.

7.1 **Fair Market Value.** Gross Proceeds of the Series 2010-T2 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 2010-T2 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 2010-T2 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 2010-T2 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 2010-T2 Bonds.

Section 8. INVESTMENT LIMITATIONS FOR THE PROCEEDS OF THE SERIES 2010-T2 BONDS. The Authority has been advised by Bond Tax Counsel that the following provisions and procedures apply to the proceeds of the Series 2010-T2 Bonds:

8.1 **Generally.** Except as provided in this Section 8, no portion of the Gross Proceeds of the Series 2010-T2 Bonds may be invested, directly or indirectly, in any Investment Property which has a yield higher than the Yield of the Series 2010-T2 Bonds.

8.2 **Temporary Period.** Gross Proceeds of the Series 2010-T2 Bonds invested during any applicable temporary period may be invested without regard to the restrictions of this subsection 8.2 (subject to the Rebate Requirement) 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 Pledged Loan Account, if any, up to six months from the Delivery Date;

(b) for Investment Proceeds of the Series 2010-T2 Bonds – one year beginning on the date of receipt;

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

(d) for amounts of Net Proceeds which consist of up to six month's accrued interest on the Series 2010-T2 Bonds, – 13 months from the Delivery Date;

(e) for amounts of Net Proceeds used to pay costs of issuance of the Series 2010-T2 Bonds, up to 90 days from the Delivery Date;

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

(g) for amounts deposited in the Debt Service Reserve Account – for the life of the Series 2010-T2 Bonds; and

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

Gross Proceeds of the Series 2010-T2 Bonds not invested during one of the permitted temporary periods will not be invested at a yield in excess of the Yield on the Series 2010-T2 Bonds.

For purposes of the preceding paragraph, in determining yield on (i) any Nonpurpose Investment allocable to amounts in the Debt Service Reserve Account to the extent of the Debt Service Reserve Requirement; (ii) any Nonpurpose Investments allocable to the Net Proceeds of the Series 2010-T2 Bonds; (iii) investment earnings on Net Proceeds which qualified for the six month temporary period; (iv) Prepayments and investment proceeds which qualified for the three month temporary period for recycling or; (v) other Investment Proceeds of the Series 2010-T2 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 2010-T2 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 2010-T2 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 2010-T2 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 2010-T2 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 2010-T2 Bonds to be "federally guaranteed bonds," or otherwise use the Proceeds of the Series 2010-T2 Bonds in a manner which would cause the Series 2010-T2 Bonds to lose the exclusion of interest on the Series 2010-T2 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 2010-T2 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 nationally recognized bond counsel to the effect that any such deliberate action will not adversely affect the exclusion of interest on the Series 2010-T2 Bonds from gross income for federal income tax purposes.

Section 11. MANAGEMENT CONTRACT LIMITATIONS. Neither Authority nor the Borrowers shall 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 2010-T2 Bonds or the Prior 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. Less than $5,000,000 of the Proceeds of the Series 2010-T2 Bonds will be used to make or finance the Pledged Loans. Accordingly, the Series 2010-T2 Bonds will not be "Pooled Financing Bonds" within the meaning of Section 149(f) of the Code. The payment of legal and underwriting costs associated with the issuance of the Series 2010-T2 Bonds is not contingent and at least 95% of the reasonably expected legal and underwriting costs associated with the issuance of the Series 2010-T2 Bonds will be paid not later than the 180th day after the date of issuance on the Series 2010-T2 Bonds. As to the refunding accomplished by the Series 2010-T2 Bonds, the Prior Bonds met the requirements applicable to pooled finance bonds.

Section 13. RESTRICTIONS ON HEDGE BONDS. The Authority reasonably expects that 85% of the spendable proceeds of the Series 2010-T2 Bonds will be spent within three years of their respective issuance dates. In addition, none of the proceeds of the Series

2010-T2 Bonds other than the amounts invested in the Debt Service 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 2010-T2 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 2010-T2 Bonds will not be "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 Requirement 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 2010-T2 Bonds.

Section 17. INFORMATION REPORTING. The Authority has reviewed the Internal Revenue Service Form 8038-G to be filed in connection with the issuance of the Series 2010-T2 Bonds, a copy of which is attached hereto as Exhibit "C," and all of the information contained therein is, to the best of the Authority's knowledge, true and complete.

Section 18. AMENDMENTS. This Tax Compliance Certificate has been executed in order to maintain the exclusion of interest on the Series 2010-T2 Bonds from gross income 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 exclusion of interest on the Series 2010-T2 Bonds from gross income 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 2010-T2 Bonds from gross income for purposes of federal income taxation.

Section 19. 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 exclusion from federal gross income of interest on the Series 2010-T2 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

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APPENDIX A

1. **Private Business Use Test.** In general, the private business use test is met if private business use exceeds 10% of the proceeds of the issue over the measurement period (defined in paragraph (b) below). Use of facilities by natural persons (not using the facilities in a trade or business) and use by state or local governments is not treated as private business use. Likewise, use by private business persons of the financed property on the same basis as the general public is not treated as meeting private business use test. However, use pursuant to special legal entitlements is treated as private business use unless the exceptions discussed in paragraph (c) below apply. In addition, use by private business users receiving "a special economic benefit" is also private business use if the financed facility is not available for general public use. Under the Regulations, special legal entitlements to use property can result from ownership, a lease, a management or incentive contract, a take or pay contract, an output contract, a research agreement, or any other arrangement which conveys special legal entitlements comparable to the foregoing, *e.g.*, arrangements conveying priority rights to the use or capacity of a facility.

   (a) **Special Economic Benefit.** If the financed property is not available to the general public then any "special economic benefit" should be counted as private business use. The Regulations provide that special economic benefit is to be determined based on all the facts and circumstances including one or more of the following factors:

      (i) the functional relationship and physical proximity of the property financed to other property used by a nongovernmental person;

      (ii) a small number of nongovernmental persons receive the special economic benefit; and

      (iii) a nongovernmental person depreciates the financed property.

   (b) **Measurement of Private Business Use.**

      (i) **General Rule.** In general, the private business use test is met if private business use exceeds 10% of the proceeds of the issue over the measurement period. As a general rule the amount of private business use of property is determined according to the average percentage of private business use of the property during the measurement period. Reg. § 1.141-3(g). The measurement period is the period beginning on the later of the issue date of the issue or the date the property is placed in service and ends on the earlier of the last date of the reasonably expected economic life of the property or the latest maturity of any bond or note, as applicable, of the issue financing the property. The average percentage of private business use is the average of the percentages of private business use during the 1-year periods within the measurement period. The percentage of private business use for any 1-year period is the average private business use during that year calculated and expressed as the ratio of private business use during the year to the total private business use and non-private business use ("governmental use") during that year. An anti-abuse rule prevents the establishment of an unreasonably long term of an issue for a principal purpose of increasing the permitted amount of private business use. Reg. § 1.141-3(g)(2)(v).

(ii) **Special Rule for Private Ownership.** The amount of private business use resulting from private ownership is calculated differently. In cases of private business ownership a special rule provides that the amount of private business use is determined according to the greatest percentage of private business use in any one-year period. Reg. § 1.141-3(g)(2)(iv).

(iii) **Other Rules.** Other significant special measurement rules eliminate the consideration of facility downtime in calculating the average percentage of private use, but permit under certain circumstances a discrete portion of a facility to be treated as a separate facility. Reg. § 1.141-3(g)(4)(i). In addition, if private business use as of the issue date is reasonably expected to have a significantly greater fair market value than governmental use, the average amount of private business use must be determined according to relative reasonably expected fair market values of use rather than be another measure, such as average time of use. Reg. § 1.141-3(g)(4)(v). Further, if private business use and actual governmental use of a facility is on the same basis and occurs simultaneously, the average amount of private business use may be determined on a reasonable basis that reflects the proportionate benefits to each user. Reg. § 1.141-3.

(c) **Exceptions.** There are a number of exceptions for certain types of private business use that may have otherwise been counted toward satisfaction of the private business use test. These exceptions include private business use resulting from:

(i) certain management or service contracts involving expense reimbursement, incidental services or de minimus services;

(ii) use of facilities by nongovernmental persons solely in their capacity as agents of a government person;

(iii) certain incidental private business users;

(iv) contracts not reasonably available to natural persons with rates set by general tariffs and a term not longer than 90 days;

(v) negotiated arm's-length contracts with terms not longer than 30 days;

(vi) use under arrangements on the same basis as natural persons not engaged in a trade or business; and

(vii) use of a developer during the development period under certain conditions.

Revenue Procedures 97-13, 97-14 and 2001-36 provide exceptions for management agreements, service agreements and research agreements meeting certain safe harbor guidelines.

2. **Private Security or Payment Test.** In general, the private security or payment test is satisfied if the present value of the payments to be taken into account exceeds 10% of the present value of the debt service to be paid over the term of the issue. The private payment portion of the test generally takes into account payment of debt service derived from payments (whether or not to the Authority or a related party) in respect of property or borrowed money used or to be used for a private business use. The private security portion of the test generally takes into account payment of debt service directly or indirectly secured by an interest in property used or to be used for a private business use, or payments in respect of such property.

The security for an issue and the payment of debt service on the issue are determined from both the issue or note documents and on the basis of an underlying arrangement between the parties. An underlying arrangement can result from separate agreements between the parties or may be inferred from all the facts and circumstances in connection with the issuance of the bonds or notes, as applicable.

(a) **Measurement of Private Security and Payment.**

(i) **General Rule.** In general, the private security or payment test is satisfied if the present value of the payments to be taken into account exceeds 10% of the present value of the debt service to be paid over the term of the issue. The private payment portion of the test generally takes into account payment of debt service derived from payments (whether or not to the Authority or a related party) in respect of property or borrowed money used or to be used for a private business use. The private security portion of the test generally takes into account payment of debt service directly or indirectly secured by an interest in property used or to be used for a private business use, or payments in respect of such property. Reg. § 1.141-4(a)(i).

For purposes of the private security or payment test, payments taken into account as private payments and payments taken into account as private security are aggregated. However, the same payments are not taken into account as both private payments and private security. Reg. § 1.141-4(a)(2).

(ii) **Present Value.** Present values are determined by using the yield on the issue as the discount rate for a fixed yield issue. Variable yield issues may assume the then current interest rate to be the discount rate over the term of the issue. A subsequent deliberate action will cause a recalculation of the variable yield. Adjustments to debt service may be made to take into account payments and receipts that adjust the yield on an issue for purposes of Section 148(f). Reg. § 1.141-4(b)(2).

(b) **Payments Taken Into Account.** Generally, payments made by any nongovernmental person that is treated as using proceeds of the issue are taken into account. Payments are taken into account only for the period of time the property is being used for the private business use. Payments for use of the financed property include payments in respect of such property even if not made by a private business user (only to the extent available to be used directly or indirectly for debt service). Payments are not made in respect of financed property if those payments are directly allocable to other property being directly used by the person making the payment and those payments represent fair market compensation for that other use. Reg. § 1.141-4(c)(2).

Payments from a nongovernmental person are not counted to the extent such payments exceed the present value of debt service allocable to the proceeds used by such private business user. Payments for use of proceeds do not include the portion of any payment properly allocable to the payment of direct operating expenses of the financed property used by the private business user. A special rule generally characterizes payments of debt service on a refinanced issue as private payments in the same proportion as private payments bear to total payments on the refunding issues. Reg. § 1.141-4(c)(2).

There are special rules for allocating private payments when property is financed from multiple funding sources (*e.g.*, taxable, tax-exempt or equity). As a general rule, payments for the use of property are allocated to the source or different sources of funding of property based on all the facts and circumstances, including whether an allocation is consistent with the purposes of Section 141. In general, a private payment for the use of property is allocated to a source of funding based on the nexus between the payment and both the financed property and the source of funding. Reg. § 1.141-4(c)(3).

Payments for the use of a discrete facility (or discrete portion of a facility) are allocated to the source or sources of funding of that discrete property. Payments made for the use of property financed with two or more sources of funding are allocated in a manner that reasonably corresponds to the relative amounts expended on the property by each source. If an issuer has not kept records of expenditures, an issuer may use reasonable estimates of amounts expended on property. Costs of issuance and other neutral costs are allocated ratably among expenditures for this purpose. Allocations may be made according to relative amounts of debt service if such allocation method reasonably reflects the economic substance of the arrangement. Reg. § 1.141-4(c)(3).

Two other special allocations rules are in the nature of anti-abuse rules. Under the one rule, private payments under an arrangement entered into in connection with the issuance of the bond or note, as applicable, are generally allocated to that issue. Whether an arrangement is entered into in connection with the issuance of the issue is determined under the facts and circumstances. An arrangement is ordinarily entered into in connection with the issuance of the issue if (i) the issuer entered into the arrangement during the three-year period beginning 18 months before the issue date and (ii) the amount of payments reflects all or a portion of the debt service on the issue. Reg. § 1.141-4(c)(3)(iv). Under the other rule an issuer may not allocate a private payments to reimburse itself for equity contributions unless, not later than 60 days after the date of expenditure of those amounts, the issuer adopts an official intent resolution comparable to that required by Reg. § 1.150-2(e) and reimburses itself not later than 18 months after the later of the date the expenditure is made or the date the project is placed in service. Reg. § 1.141-4(c)(3)(v).

(c) **Security Taken Into Account.** As a general rule private security consists of financed property used by a private business user as well as payments in respect of that property if any interest in that property or payments secures the payment of debt service on the bond or note, as applicable. Under this rule the payments in respect, as applicable, of privately used property can be counted even if they are from the general public (only to the extent available to be used directly or indirectly for debt service). Reg. § 1.141-4(d)(3).

A special rule provides that private security which is not bonds or notes, as applicable, financed is taken into account only to the extent it is provided by a user of the proceeds of the issue. Reg. § 1.141-4(d)(2). Generally, proceeds of a bond or note, as applicable, issue are not taken into account prior to expenditure or loan to the private user. Reg. § 1.141-4(d)(3).

Consistent with the rules concerning payments, private security is not taken into account (i) for the period of time the property is not being used for private business use or is not serving as security, and (ii) to the extent it exceeds the amount of allocable private business use. Reg. § 1.141-4(d)(5). Private security is generally taken into account with respect to refunded issues in the same proportion as private security bears to total payments on the refunding issue. Reg. § 1.141-4(d)(5).

Finally, a special rule provides for the allocation of private security or payments (from the disposition of such property securing the issue) among multiple issues secured by such property or payments. The rule provides that such security or payments are allocated on a reasonable basis that takes into account bondholders' rights to the payments or property on default. Reg. § 1.141-4(d)(6).

(d) **Generally Applicable Taxes.** For purposes of the private security or payment test, taxes of general application are not taken into account. The Treasury Regulations say that a "generally applicable tax is an enforced contribution exacted pursuant to legislative authority in the exercise of the taxing power . . ." to raise revenue for governmental purposes. The tax must have uniform rate applicable to all persons of the same class in the jurisdiction and a generally applicable manner of determination and collection. A special rule permits payments in lieu of taxes to constitute generally applicable taxes under certain circumstances.

3. **Private Loan Financing Test.** Bonds or notes, as applicable, meet the private loan financing test if more than the lesser of 5% or $5 million of the proceeds of the issue is to be used (directly or indirectly) to make or finance loans to persons other than governmental persons. The Authority's reasonable expectations and subsequent deliberate actions are taken into account. The amount actually loaned to a nongovernmental person is not discounted to reflect the present value of loan payments.

   For purposes of this test, a private loan is any transaction characterized as a loan for federal tax purposes. In addition, a loan can arise from the direct lending of bonds or notes, as applicable, proceeds or from transactions that convey indirect benefits that are the economic equivalent of a loan. Loans that are Nonpurpose Investments do not cause the private loan financing test to be met.

   Certain prepayments for property or services are also treated as loans for purpose of the private loan financing test if the principal purpose of such prepayments is to provide a benefit of tax-exempt financing to the seller. A prepayment is not treated as a loan for purposes of this test if either (i) the prepayment is made for a substantial business purpose other than providing tax benefits to the seller and the Authority has no commercially reasonable alternative to the prepayment or (ii) substantially similar prepayments are made by a substantial percentage of persons similarly situated to the Authority who do not use tax-exempt financing.

   A special rule affirms that a grant is not a loan. Whether a transaction is characterized as a grant or a loan is determined based on all the facts and circumstances. Generally, a grant made from proceeds of an issue secured by generally applicable taxes attributable to improvements made with the grant is not treated as a loan. Certain impermissible agreements entered into with the grantee, however, could cause a grant to be treated as a loan, e.g., an agreement to be personally liable on a tax that does not generally impose personal liability.

4. **Unrelated or Disproportionate Use Test.** Under this test, an issue satisfies the private business tests if the amount of private business use and private security or payments attributable to unrelated or disproportionate private business use exceeds 5% of the proceeds of the issue. Application of the test requires a three step analysis. The first step is to determine whether the private use or uses are related to a governmental use. The second step is to examine the private business use to determine whether it is disproportionate to its related governmental use. Third, all unrelated private business uses and disproportionate related uses are aggregated to determine whether the 5% threshold has been exceeded.

   Unrelated use is determined on a case by case basis emphasizing the operational relationship between the government use and the private business use. In general, a related privately used facility is required to be located within, or adjacent to, the governmentally used facility. Two other special rules provide some additional guidance. The first rule provides that a private business use is related to a governmental use if the uses of the facility are for the same purpose and the government use is not insignificant. The second rule provides that use of a facility in the same manner for both related and unrelated private business uses will not result in unrelated private business use if the related use is not insignificant.