

Management Committee

Meeting date: January 25, 2012

ADVISORY INFORMATION

Date: January 19, 2012
Subject: Authorization To Execute Loan Agreements With The Public Facilities Authority (PFA) And Issuance Of General Obligation Sewer Note Included in Resolution #2012-1.
District(s), Member(s): All
Policy/Legal Reference: MN Stat. 473.541(3) and Council Policy 3-1-1
Staff Prepared/Presented: Jason Willett, MCES Finance Director, 651-602-1196
Division/Department: MCES c/o Bill Moore, Division Director, 651-602-1162

Proposed Action

That the Metropolitan Council approves the attached Resolution 2012-1 to authorize the Regional Administrator to execute a loan agreement with the Minnesota Public Facilities Authority (PFA) in substantially the same form as the attached agreement. And further, to issue the related General Obligation Sewer Note securing the loan agreement substantially in the form of the Note referenced in the resolution.

Background

This approval does not authorize any capital spending, which is done via the adoption of the capital budget, but rather provides a low-cost instrument to finance capital project expenses that are already approved. MCES capital projects that will be funded by this loan are ongoing. The prior loan for eligible projects was exhausted in December (except for funds needed for two projects to complete green project reserve requirements).

The \$60 million available from this loan is expected to provide funds to finance the cash flows on those MCES capital projects that are PFA-eligible for about 12-16 months, in addition to December 2011 and January 2012 expenses incurred since the prior PFA loan was exhausted. Capital borrowing beyond what can be funded by PFA loans typically comes from bonds issued by the Council or from wastewater fees ("pay-as-you-go").

Attachments to this item are:

Attachment A: Staff summary of the key terms of the transaction

Attachment B: The proposed Resolution with Note (drafted by Kennedy and Graven, our bond counsel)

Attachment C: The proposed Commitment and Loan Agreement (drafted by Briggs and Morgan, PFA's bond counsel; reviewed by our bond counsel).

Funding

The interest rate on the Loan has been locked in at 1.60% (137.5 basis point discount below market rate per formula in PFA rules).

Rationale

Conventional PFA loans are less expensive than Council bonding. At current interest rates, the savings compared to a traditional Council tax-exempt bond is about \$8 million in present value dollars.

Terms of the loan provide these savings and are deemed by staff, our financial advisors (Springsted) and our bond counsel (Kennedy & Graven) to be acceptable.

Known Support / Opposition

None.

Attachment A
KEY TERMS OF THE PROPOSED LOAN AGREEMENTS

- 1) The Council is financing \$60 million for about 20 approved wastewater projects, and will pay debt service on the Loan over the next 20 years.
- 2) The Council must agree to complete all the projects, funded in any part by these loans, regardless of the availability of future PFA loans.
- 3) PFA funds are not drawn down by the Council until after eligible expenses are incurred (that is, on a “reimbursement basis”). Interest will accrue on the debt only as money is disbursed to the Council.
- 4) The net interest rate to be paid to the PFA will be 1.603%.
- 5) The principal repayment schedule provides a slight modification to level annual debt service. To aid in smoothing total annual debt service for all wastewater debt over the next several years, a portion of principal payments in 2015-2018 were moved to future years, which increased the average life of this loan from 10.9 years to 11.6 years.
- 6) The Council must execute a General Obligation Note pledging its full faith and credit to secure repayment of the loan. This means that should wastewater revenues become inadequate, the Council must levy taxes to provide the necessary funds. However, no property taxes have ever been levied or are anticipated for these PFA Notes or any other wastewater debt.
- 7) The Council agrees that funds for the Metro Plant Rehab and Facilities Improvement projects (project #8059 family) funded by the loan will be designated as coming from state bond funds and are thereby subject to extra restrictions for the life of the project and possibly repayment of the funds if the facility were sold. In addition a declaration of these covenants must be recorded against the real estate titles.
- 8) If the PFA refunds bonds, the Council will get 50% of the net present value of the savings from the portion of such PFA bonds used as the source of funds for this loan, if any. Also note, the Council is required to get PFA approval to prepay the loan and if the Council sells a bond to prepay the loan, the Council will share 50% of the savings with the PFA as a prepayment fee.
- 9) The Council agrees to standard terms and conditions of PFA’s financing and state law. Among these terms are: 1) sale of project facilities are restricted; 2) funds can not be used for “private uses”; 3) insurance requirements must be met; 4) information disclosure requirements for the investment community must be met; 5) projects funded must meet EPA diversity requirements, and 6) Loan funded contractors must pay federally designated prevailing wages.

Attachment B

CERTIFICATION OF EXTRACT FROM MINUTES
RELATING TO GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2012A

Issuer: Metropolitan Council, Minnesota

Governing Body: Council Members

Kind, date, time and place of meeting: A regular meeting held Wednesday, February 8, 2012, at 4:00 o'clock P.M., at 390 North Robert Street, St. Paul, Minnesota.

Members Present:

Members Absent:

Documents Attached:

Extract of minutes of said meeting including:

RESOLUTION NO. 1

ACCEPTING THE OFFER OF THE MINNESOTA
PUBLIC FACILITIES AUTHORITY TO
PURCHASE A \$60,000,000 GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2012A PROVIDING
FOR ITS ISSUANCE, AND AUTHORIZING
EXECUTION OF A PROJECT LOAN AGREEMENT

I, the undersigned, being the duly qualified and acting Recording Secretary of the Metropolitan Council, the public corporation issuing the notes referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been extracted; that said documents are correct and accurate copies of the resolution and related documents approved by the Council at its regular meeting held on February 8, 2012, so far as they relate to said Note; and that said meeting was duly held by the governing body at the time and place and was attended by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such Recording Secretary on _____, 2012.

Susan Harder, Recording Secretary

After some discussion, Council Member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. 1

ACCEPTING THE OFFER OF THE MINNESOTA
PUBLIC FACILITIES AUTHORITY TO
PURCHASE A \$60,000,000 GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2012A PROVIDING
FOR ITS ISSUANCE, AND AUTHORIZING
EXECUTION OF A PROJECT LOAN AGREEMENT

The motion for the adoption of the foregoing resolution was seconded by Council Member _____, and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

and the following were absent for the vote:

whereupon the resolution was declared duly passed and adopted and was signed by the Chair whose signature was attested by the Recording Secretary.

RESOLUTION NO. 1

ACCEPTING THE OFFER OF THE MINNESOTA
PUBLIC FACILITIES AUTHORITY TO
PURCHASE A \$60,000,000 GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2012A PROVIDING
FOR ITS ISSUANCE, AND AUTHORIZING
EXECUTION OF A PROJECT LOAN AGREEMENT

BE IT RESOLVED by the Metropolitan Council (the “Council” or the “Issuer”) as follows:

Section 1. Recitals.

- a) The Minnesota Public Facilities Authority (the “PFA”) is authorized pursuant to Minnesota Statutes, Chapters 446A as amended, to issue its bonds (the “PFA Bonds”) and to use the proceeds thereof, together with certain other funds of the agency available for such purpose in the Clean Water Revolving Fund, to provide loans to political subdivisions of the state to fund eligible costs of construction of sanitary sewer collection and wastewater treatment systems (the “Program”).
- (b) The Issuer is authorized to issue its obligations pursuant to Minnesota Statutes, Sections 473.541, subd. 3 and Chapter 475 (the “Act”), for the purpose of financing improvements to the Issuer's interceptor or treatment works (the “Project”).
- (c) The Issuer has applied for a loan from the PFA pursuant to the Program, and the PFA has committed to make a loan to the Issuer in the principal amount of \$60,000,000, to be disbursed and repaid in accordance with the terms of a Bond Purchase and Project Loan Agreement (the “Project Loan Agreement”) dated as of December 21, 2011 to be executed by the Issuer and the PFA, in substantially the form now on file with the Council Secretary.
- (d) In accordance with Section 475.60, subdivision 2(4) of the Act, the Issuer is authorized to issue obligations to a board, department or agency of the State of Minnesota by negotiation and without advertisement for bids and the PFA is, and has represented that it is a board, department or agency of the State of Minnesota.
- (e) Contracts for the Project have been or will be made by the Issuer with the approval of the PFA and all other state and federal agencies of whose approval is required.

Section 2. Acceptance of Offer: Payment.

- (a) The Issuer hereby accepts the offer of the PFA to purchase the General Obligation Wastewater Revenue Note, Series 2012A (the "Note") to be issued by the Issuer in the original aggregate principal amount of \$60,000,000 at the rate of interest hereinafter set forth, and to pay therefor the par amount of the Note as provided below, is accepted, and the sale of the Note is awarded to the PFA. Payment for the Note is to be disbursed in installments as eligible costs of the Project reimbursed or paid, all as provided in the Project Loan Agreement. The terms set forth in this resolution relating to the Note are intended to be consistent with the provisions of the Project Loan Agreement, and to the extent that any provision in the Project Loan Agreement is in conflict with this resolution, the Project Loan Agreement will control.
- (b) The Note is to be issued in the aggregate principal amount of \$60,000,000, originally and nominally dated as of date of delivery as a fully registered Note without coupons. The Note will be in the denomination of the entire principal amount thereof, numbered R-1 and bear interest and mature in installment amounts as specified in Section 3 hereof.
- (c) The Note is subject to redemption and prior payment as provided in the Project Loan Agreement.
- (d) Interest and principal in the installment amounts set out in Exhibit A to the Note are payable by wire transfer, or if by check or draft of the Issuer or its designated Registrar, mailed no later than five (5) business days prior to the payment date to the registered holder thereof at the holder's address as it appears on the bond register at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date.

Section 3. Date: Denomination: Interest Rates. The Note will be a fully registered negotiable obligation, dated as of date of delivery and issued forthwith. The Note shall be in substantially the following form set forth on Exhibit A attached hereto:

Section 4. Execution. The Note is to be executed on behalf of the Council by the signatures of the Chair and Treasurer, the Council having no seal; provided; however, that one of such signatures may be a printed or photocopied facsimile on the Note as permitted by law. In the event of disability or resignation or other absence of any of such officers, the Note may be signed by any officer who is authorized to act on behalf of such absent or disabled officer. If an officer whose signature will appear on the Note ceases to be such officer before the delivery of the Note, such officer's signature will nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

Section 5. Delivery: Application of Proceeds. The Note when so prepared and executed will be delivered by the Treasurer to the PFA prior to disbursements pursuant to the Project Loan Agreement and the purchaser is not obliged to see to the proper application thereof.

Section 6. 2012A (PFA) Sewer Revenue Note Account, Pledges, Appropriations.

(i) Sewer Revenue Note Account. There is hereby established a 2012A (PFA) Sewer Revenue Note Account (the "Note Account") in the Council's Debt Service Fund. The Note Account shall be held in the custody of the Treasurer, deposited in one or more banks duly qualified as depositories of Council funds, and invested and reinvested in accordance with resolutions of the Council and Minnesota Statutes, Chapter 118A, and the Project Loan Agreement, and shall be used only to pay principal and interest and related expenses (including paying agency, registration, swap agreement or investment service expenses and rebate of arbitrage earnings) payable with respect to the Note or PFA Bonds and any other general obligation wastewater revenue obligations of the Council, as may be directed by the Council to be paid from the Note Account, until all such principal and interest and expenses have been fully paid; provided that if any payment falls due when the balance in the Note Account is insufficient to pay it, the deficiency shall be paid out of any other funds of the Council available for that purpose, and advances so made may be repaid from the Note Account when a sufficient balance is available therein.

(ii) Other Appropriations. The following sums are hereby pledged and appropriated and shall be credited as received to the Note Account:

(a) All income and gain from investment of the Note Account (to which all loss from such investment shall also be charged).

(b) All payments by local government units of debt service costs for obligations payable out of the Note Account hereafter allocated to such units in each annual budget of the Council under the provisions of Minnesota Statutes, Sections 473.517 and 473.521, provided that such debt service allocation payments shall be transferred by the Council to the Note Account in such amounts and at such times during the budget year as is required under subparagraph (iv) hereof.

(c) All sums collected from taxes levied, extended and assessed under the provisions of subparagraph (iv) below.

(iii) Pledge of Revenues and Note Proceeds. Pursuant to the provisions of Minnesota Statutes, Section 473.541, subdivision 3, the Council irrevocably pledges and appropriates to the Note Account, from the revenues receivable under the provisions of Minnesota Statutes, Sections 473.517 and 473.521, all sums received from businesses and local government units for the payment of the principal of and interest on the Note and any other obligations hereafter made payable out of the Note Account and all related expenses payable out of the Note Account. The Note shall be secured equally and ratably with all other obligations heretofore or hereafter issued and made payable from the Note Account by the pledge of all assets appropriated to the Note Account.

(iv) Taxes; Pledges. It is estimated that the revenues pledged for the payment of the Note, together with other available monies designated by the Council for such purposes, will produce sums in an amount not less than 5% in excess of the amounts needed to meet when due

payments of principal of and interest on the Note, and accordingly no tax is levied by this Resolution for that purpose. The Council shall deposit in the Note Account revenues pledged to the payment of the Note in such amounts and at such times as are directed by the Treasurer of the Council so that as of the interest payment dates for the Note (i.e. February 20 and August 20 of each year commencing from and after the later of August 20, 2012, or the date on which principal is first disbursed under the Project Loan Agreement) (each an "Interest Payment Date") during the term of the Note, the amount held in the Note Account is sufficient to pay principal (if any) of and interest on the Note (and any other obligations payable from the Note Account) payable on that Interest Payment Date and so that all related expenses payable out of the Note Account are paid when due. In the event that such pledged revenues or other sufficient funds are not so deposited by the Council, the Council covenants that it will levy for collection the following year a general ad valorem tax upon all taxable property in the "metropolitan area" within the meaning of Minnesota Statutes, Section 473.121, subdivision 2, in an amount equal to the deficiency.

(v) Note Record. The Chief Financial Officer of the Council is directed to keep on file in the Council office a tabulation of the dates and amounts of the principal and interest payments to become due on all obligations payable from the Note Account, and of the balance required in the Note Account on each Interest Payment Date in lieu of taxes then otherwise required to be levied for the security of such Note.

(vi) Separate Council Accounts. In its annual budget, the Council shall allocate all wastewater debt service costs, together with operations and maintenance costs of the metropolitan disposal system and any other applicable costs, to local government units pursuant to Minnesota Statutes, Section 473.517, as amended.

Section 7. Disposition of Note Proceeds. All disbursements of Note proceeds made under the Project Loan Agreement shall be made and applied as provided in the Project Loan Agreement.

Section 8. General Obligation Pledge. The full faith and credit and taxing powers of the Issuer will be, and are irrevocably pledged for the prompt and full payment of the principal of and interest on the Note as the same respectively become due. If the net revenues of the wastewater system appropriated and pledged to the payment of principal and interest on the Note, together with other funds irrevocably appropriated to the Debt Service Account referred to in Section 6 are at any time insufficient to pay such principal and interest when due, the Issuer covenants and agrees to levy, without limitation as to rate or amount, an ad valorem tax upon all taxable property in the Issuer sufficient to pay such principal and interest as the same become due. If the balance in the Debt Service Account is ever insufficient to pay all principal and interest then due on the Note and any other obligations payable therefrom, the deficiency will be promptly paid out of any other funds of the Issuer which are available for such purpose, and those other funds may be reimbursed, with or without interest, from the Debt Service Account when a sufficient balance is available in that Account.

Section 9. Certificate of Registration. The Chief Financial Officer is authorized and directed to file a certified copy of this resolution with the County Auditors of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties, Minnesota, together with such other

information as the County Auditors may require, and to obtain from the County Auditors their certificates that the Note has been entered in the County Auditors' Bond Registers.

Section 10. Project Loan Agreement. The Project Loan Agreement is approved in substantially the form presented to the Council, and in the form executed is incorporated by reference and made a part of this resolution. The provisions of this resolution relating to the Note are intended to be consistent with the provisions of the Project Loan Agreement, and to the extent that any provision in the Project Loan Agreement is in conflict with this resolution as it relates to the Note, that provision controls. The execution and delivery of the Project Loan Agreement by the Chair is hereby authorized and ratified. The execution of the Project Loan Agreement by the appropriate officer is conclusive evidence of the approval of the Project Loan Agreement in accordance with the terms hereof. The Project Loan Agreement may be attached to the Note, and must be attached to the Note if the holder of the Note is any person other than the PFA.

Section 11. Records and Certificates. The officers of the Council are hereby authorized and directed to prepare and furnish to the PFA, and to the attorneys approving the legality of the issuance of the Note, certified copies of all proceedings and records of the Council relating to the Note and to the financial condition and affairs of the Council, and such other affidavits, certificates, agreements and information as are required to show the facts relating to the legality and marketability of PFA Bonds, if any were used as a source of financing for this loan, as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the Council as to the facts recited therein.

Section 12. Negative Covenants as to Use of Proceeds and Project. The Issuer covenants not to use the proceeds of the Note or to use the Project, or to cause or permit them to be used, or to enter into any deferred payment arrangement for the cost of the Project, in such a manner as to cause the Note to be private activity bond within the meaning of Section 103 and 141 through 150 of the Code. The Issuer reasonably expects that no action will be taken over the term of the Note that would cause it to be a private activity bond, and the average term of the Note is not longer than reasonably necessary for the government purpose of the issue. The Issuer covenants not to use the proceeds of the Note in such a manner as to cause the Note to be a "hedge bond" within the meaning of Section 149(g) of the Code.

Section 13. Tax-Exempt Status of the Note: Rebate. The Issuer will comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the Note, including without limitation (i) requirements relating to temporary periods for investments; (ii) limitations on amounts invested at a yield greater than the yield on the PFA Bonds; and (iii) the rebate of excess investment earnings to the United States.

Section 14. Tax-Exempt Status of the PFA Bonds; Rebate. The Issuer with respect to the Note will comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the PFA Bonds, if any were used to fund the Loan, including without limitation (i) requirements relating to temporary periods for investments; (ii) limitations on amounts invested at a yield in excess of the applicable

yield restrictions imposed by the Code; and (iii) the rebate of excess investment earnings to the United States. The Issuer covenants and agrees with the PFA and holders of the Note that the investments of proceeds of the Note, including the investment of any revenues pledged to the Note, which may be considered gross proceeds of PFA Bonds under the applicable regulations, and accumulated sinking funds, if any, will be limited as to amount and yield in such manner that such PFA Bonds will not be arbitrage bonds within the meaning of Section 148 of the Code and any regulations thereunder. On the basis of the existing facts, estimates and circumstances, including, the foregoing findings and covenants, the Issuer certifies that it is not expected that the proceeds of the Note, will be used in such manner to cause such PFA Bonds to be arbitrage bonds under Section 148 of the Code, and any regulations thereunder. The Note Registrar will furnish a certificate to the PFA addressing the foregoing certification at the time of delivery of the Note to the PFA.

The Issuer covenants and agrees that the PFA and holders of the Note that the investments of proceeds of the Note, including the investment of any revenues pledged to the Note, which are considered gross proceeds of any such PFA Bonds under the applicable regulations and accumulated sinking funds, if any, will be limited as to amount(s) and yield(s) in such manner that such PFA Bonds will not be arbitrage bonds within the meaning of Section 148 of the Code, and any regulations thereunder. On the basis of the existing facts, estimates and circumstances, including the foregoing findings and covenants, the Issuer hereby certifies that it is not expected that the proceeds of the Note will be used in such manner as to cause such PFA Bonds to be arbitrage bonds under Section 148 of the Code and any regulations thereunder. The Chair and Chief Financial Officer will furnish an arbitrage certificate to the PFA addressing the foregoing certification at the time of delivery of the Note to the PFA.

Section 15. Severability. If any section, paragraph or provision of this resolution is held to be invalid or unenforceable for any reason, the validity or unenforceability of such section, paragraph or provision will not affect any of the remaining provisions of this resolution.

Section 16. Headings. Headings in this resolution are included for convenience of reference only and are not a part hereof, and do not limit or define the meaning of any provision hereof.

Adopted: February 8, 2011

Susan Harder, Recording Secretary

Susan Haigh, Chair

EXHIBIT A
TO SALE RESOLUTION

FORM OF NOTE

No. R-1

\$ _____

UNITED STATES OF AMERICA
STATE OF MINNESOTA
ANOKA, CARVER, DAKOTA, HENNEPIN, RAMSEY, SCOTT AND
WASHINGTON COUNTIES
METROPOLITAN COUNCIL
(Minneapolis-St. Paul metropolitan area)

GENERAL OBLIGATION WASTEWATER REVENUE NOTE, SERIES 2012A

Date of Original Issue:

The METROPOLITAN COUNCIL, a body corporate and politic having jurisdiction over the Minneapolis-St. Paul metropolitan area comprising the Counties of Anoka, Carver, Dakota (excluding the City of Northfield), Hennepin (excluding the Cities of Hanover and Rockford), Ramsey, Scott (excluding the City of New Prague), and Washington, Minnesota (the “Issuer”), certifies that it is indebted for value received and promises to pay to the Minnesota Public Facilities Authority or registered assigns, the principal sum of \$60,000,000, or so much thereof as may have been disbursed, on August 20, in the years and in the installments as follows:

<u>Year</u>	<u>Installment</u>	<u>Year</u>	<u>Installment</u>
2012	\$20,000	2022	\$3,794,000
2013	2,697,000	2023	3,842,000
2014	2,738,000	2024	3,890,000
2015	1,780,000	2025	3,900,000
2016	1,823,000	2026	3,580,000
2017	1,367,000	2027	3,640,000
2018	1,911,000	2028	3,680,000
2019	2,956,000	2029	3,685,000
2020	3,601,000	2030	3,697,000
2021	3,748,000	2031	3,651,000

and to pay interest on so much of the principal amount of the debt as may be disbursed from time to time as provided in the Project Loan Agreement (as defined below) and remains unpaid, from the date of this Note for disbursements made on or prior to that date or from the date of each later disbursement until the principal amount hereof is paid or has been provided for, at the rate of 1.603% per annum on August 20, 2012 and semiannually thereafter on each February 20 and August 20.

Principal and Interest Payments. Interest accrues only on the aggregate amount of this Note that has been disbursed under the Public Facilities Authority Bond Purchase and Project Loan Agreement dated as of December 21, 2011, by and between the Issuer and the Minnesota Public Facilities Authority (the “Project Loan Agreement”). The principal installments that will be paid in the amounts scheduled above even if at the time of payment the full principal amount of this Note has not been disbursed; provided that to the extent any principal amount of this Note is never disbursed, the amount of the principal not disbursed is to be applied to reduce each unpaid principal installment in the proportion that such installment bears to the total of all unpaid principal installments (i.e., the remaining principal payment schedule is to be reamortized to provide similar reductions in the annual installments of total debt service payments).

Interest on this Note includes amounts treated by the Minnesota Public Facilities Authority as service fees. Principal, interest and any premium due under this Note will be paid on each payment date by wire transfer of immediately available funds, or by check or draft mailed at least five (5) business days prior to the payment date to the person in whose name this Note is registered in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

Redemption. This Note is subject to redemption and prepayment in whole or in part as provided in the Project Loan Agreement.

Purpose: General Obligation. This Note has been issued pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, thereunto enabling, including Minnesota Statutes, Sections 473.541 and Chapter 475 for the purpose of providing money to finance eligible project costs of the Issuer’s interceptor and treatment works (the “Wastewater System”), and is payable out of the PFA Debt Service Account of the Issuer, to which account have been pledged revenues of the Issuer’s Wastewater System. This Note constitutes a general obligation to the Issuer, and to provide money for the prompt and full payment of said principal installments and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are hereby irrevocably pledged.

Registration: Transfer. This Note must be registered in the name of the payee on the books of the Issuer by presenting this Note for registration to the Council’s Chief Financial Officer (the “Note Registrar”), who will endorse the date of registration opposite the name of the payee in the certificate of registration attached hereto. Thereafter this Note may be transferred to a bona fide purchaser only by delivery with an assignment duly executed by the registered owner or owner’s legal representative, and the Issuer may treat the registered owner as the person exclusively entitled to exercise all the rights and powers of an owner until this Note is presented with such assignment for registration of transfer, accompanied by assurance of the nature provided by law that the assignment is genuine and effective, and until such transfer is registered on said books and noted hereon by the Note Registrar.

Fees Upon Transfer or Loss. The Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer of this Note and any legal or unusual costs regarding transfers and lost notes.

Project Loan Agreement. The terms and conditions of the Project Loan Agreement are incorporated herein by reference and made a part hereof. The Project Loan Agreement may be attached to this Note and must be attached to this Note if the holder of this Note is any person other than the Minnesota Public Facilities Authority.

Tax-Exempt Obligation. The Issuer intends that the interest on this Note will be excluded from gross income for United States income tax purposes or from both gross income and taxable net income for State of Minnesota income tax purposes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to and in the issuance of this Note, have been done, have happened and have been performed in regular and due form, time and manner required by law; and that this Note, together with all other debts of the Issuer outstanding on the date hereof, being the date of its actual issuance and delivery, does not exceed any constitutional, or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the Metropolitan Council (Minneapolis-St Paul metropolitan area), Anoka, Carver, Dakota, Hennepin, Ramsey Scott and Washington Counties, Minnesota, has caused this Note to be executed with the manual signatures of its Chair and its Treasurer, both as of the nominal date of original issue specified above.

METROPOLITAN COUNCIL
ANOKA, CARVER, DAKOTA,
HENNEPIN, RAMSEY, SCOTT AND
WASHINGTON COUNTIES, MINNESOTA

By _____
Chair

By _____
Treasurer

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This is the Note described above and has been registered as to the principal and interest in the name of the Registered Owner identified below on the registration books of the Note Registrar. The transfer of ownership of the principal amount of this Note may be made only by the Registered Owner or by the Registered Owner's legal representative last noted below.

Date of Registration

Registered Owner

Signature of
Note Registrar

February __, 2012

Minnesota Public
Facilities Authority
Federal Employer I.D.
No. 41-6007162

**MINNESOTA PUBLIC FACILITIES AUTHORITY
BOND PURCHASE AND PROJECT LOAN AGREEMENT**

CLEAN WATER REVOLVING FUND

(Tax-Exempt Note from Borrower)

MPFA-11-0069-R-FY12

THIS BOND PURCHASE AND PROJECT LOAN AGREEMENT (the "Agreement"), is made December 21, 2012 between the Minnesota Public Facilities Authority (the "Authority") and the Metropolitan Council (the "Borrower").

ARTICLE I - TERMS AND CONDITIONS

Section 1.1. Terms. The Authority hereby commits, subject to the availability of funds and the conditions hereinafter set forth, and pursuant to Minnesota Statutes, Section 446A.07, as amended, and Minnesota Rules Chapter 7380, as amended to provide **SIXTY MILLION DOLLARS (\$60,000,000)** to the Borrower for the purpose of financing eligible project costs of the Clean Water Revolving Fund projects described in **Exhibit C** attached hereto, (collectively, the "Project"). The Project is further described in the Borrower's application which is incorporated herein.

The Project financing consists of a loan from the Clean Water Revolving Fund in the amount of \$60,000,000 (the "Loan") which shall be evidenced by the Note described in Section 1.3 of this Agreement (the "Note"). The final maturity date of the Loan will be August 20, 2031. The aggregate principal amount of the Loan disbursed and outstanding will bear interest and servicing fees collectively at the rate of 1.603% per annum accruing from and after the date of the Note through the date on which no principal of the Loan remains unpaid and all accrued interest and servicing fees thereon have been paid.

Section 1.2. Authority Sources of Funds. The Borrower acknowledges that the Loan provided by the Authority may be funded with the proceeds of one or more series of the Authority's revenue bonds (the "Bonds"), federal capitalization grants, proceeds of state general obligation bonds or other funds of the Authority, or a combination thereof, and that the Authority may, at any time, pledge the Loan as security for its Bonds. The Authority agrees that the only project listed in **Exhibit C** that will be funded from state general obligation bonds is the Metro Wastewater Treatment Plant projects (the "Metro Wastewater Treatment Plant Projects") The Authority in its sole discretion may allocate the Loan to one or more such sources of funds and may from time to time reallocate the Loan to one or more different sources of funds, including one or more different series of Bonds (whether or not such series of Bonds refunded the series of Bonds to which the Loan was originally allocated), or may sell the Loan if permitted by the documents relating to its Bonds.

At the written request of the Borrower, the Authority will provide information with respect to the funding of the Loan, from time to time, in such detail as may be reasonably required for the purpose of assisting the Borrower in complying with any provision of Article III of this Agreement.

Section 1.3. Security. (a) The Borrower shall issue to the Authority its General Obligation Revenue Note (the Note), evidencing its obligation to repay the Loan. It is a condition of any disbursements hereunder that the Borrower deliver to the Authority the executed Note, a certified copy of resolutions or other authority by the appropriate governing body or bodies as shall legally authorize the execution and performance of this Agreement and the Note, and such opinions, certificates and documents as requested by and in a form acceptable to the Authority.

(b) The Borrower hereby represents and specifically agrees that the Note constitutes a general obligation debt of the Borrower and will be shown as such on its financial statements and be treated in all respects as a general obligation debt of the Borrower. For purposes of permitting sale of the Note to the Authority, the Authority represents that it is a "board, department or agency" of the State of Minnesota within the meaning of Minnesota Statutes, Section 475.60, subdivision 2, clause (4), as amended.

(c) The obligations of the Borrower under the Note evidence amounts payable under the Loan. Each payment made pursuant to the Note will be deemed to be a credit against the corresponding obligation of the Borrower under the Loan and any such payment will fulfill the Borrower's obligation to pay such amount hereunder.

Section 1.4. Disbursements. (a) No funds will be disbursed by the Authority to the Borrower until the Borrower has delivered its Note to the Authority as set forth in Section 1.3.

(b) All Borrower disbursement requests will be subject to Authority approval and will be disbursed on a cost reimbursement basis, consistent with the budget presented in the Borrower's application. The Authority may withhold or disallow all or part of the amount requested if the Authority determines the request is not in compliance with this Agreement, applicable federal and state laws, regulations or rules as then in effect.

(c) The Authority will disburse funds pursuant to approved disbursement requests complying with the provisions of this Agreement (including Section 1 of **Exhibit B** attached hereto). Each disbursement request must be for eligible costs for completed work on the Project and must be submitted at such deadlines established by the Authority and on a form prescribed by the Authority. Each disbursement request must include supporting invoices and billing statements and be signed by an employee or elected official of the Borrower, except as otherwise provided in Section 1 of **Exhibit B** hereto.

(d) The Authority will reimburse the Borrower for eligible Project costs incurred prior to the execution and delivery of this Agreement only if approved in writing by the Authority upon the Borrower providing evidence, which may include an opinion of counsel, acceptable to the Authority establishing that such reimbursement will be treated as an expenditure of the proceeds of a reimbursement bond for the governmental purposes of the original expenditure on the date of the reimbursement allocation with respect to both the Tax-Exempt Note and, to the extent proceeds were used or were anticipated by the Authority to be used to fund any draws on the Tax-Exempt Note, the Authority's Tax-Exempt Bonds pursuant to 26 C.F.R. Section 1.150-2, as may be amended from time to time, or any replacement or successor regulations. The Authority reserves the right to reimburse the Borrower for approved costs incurred prior to the execution of this Agreement by making disbursements therefor over a two-year period in eight equal quarterly payments.

(e) Disbursements will be made by the Authority to the Borrower within 30 days of receipt of the Borrower's request, unless the Authority determines to withhold disbursement in accordance with the provisions of this Agreement. Generally requests submitted by the 15th of the month are paid by the 25th.

(f) If the entire amount specified in Section 1.1 is not fully disbursed by June 30, 2014, no further disbursements will be made. In such event or if final eligible Project costs are less than the total financing amount specified in Section 1.1, the Loan amount not disbursed will be applied to the outstanding principal installments of the Loan on a pro rata basis or as otherwise determined by the Authority. The Authority will revise Exhibit A to this Agreement to reflect the reduction in principal amount and promptly deliver a copy to the Borrower.

Section 1.5. Mandatory Payments. (a) The principal amount of the Loan, together with interest and servicing fees collectively, will be repaid in the amounts and on the dates set forth in **Exhibit A** attached hereto (notwithstanding the rate of disbursement of the proceeds of the Loan), subject to adjustment as set

forth in Section 1.4 or 1.6. The Authority will be entitled to retain for its own purposes any interest earnings on Loan proceeds that are not disbursed and will not be obligated to credit against any required repayment of principal or payment of interest and servicing fees any such interest earnings. Any payment of principal or interest received by the Authority in excess of the amounts set forth in **Exhibit A**, as then in effect, which is not a mandatory payment as designated in paragraph (b), or not expressly designated by the Borrower to be treated as an optional prepayment may, in the sole discretion of the Authority, be (i) held without interest payable by the Authority and applied to a future payment due on the Loan in a manner determined by the Authority, (ii) treated as a prepayment of principal on the Loan, or (iii) returned to the Borrower as an overpayment. Other than prepayments, the Authority will apply any payments received under the Note as follows: first, to the payment of any costs or expenses incurred by the Authority in enforcing any provision of the Note or this Agreement; second, to the payment of accrued and unpaid interest and servicing fees on the Note; and third, to the payment of principal of the Note then due.

(b) If the Borrower has pledged to the repayment of the Loan revenues subject to prepayment or lump-sum payment by a third party, such as special assessments or connection charges from another municipality, the Borrower agrees to notify the Authority immediately upon receipt of any such payment. The Authority, in its sole discretion, may direct the Borrower to use the funds for the payment of eligible construction costs of the Project, or to transmit the funds to the Authority for payment of the Loan, immediately or at a later date. Any such payment received by the Authority may be applied to reduce each unpaid annual principal installment of the Loan in the proportion that such installment bears to the total of all unpaid principal installments, or, in the sole discretion of the Authority, may be applied to one or more future principal payments on the Loan in a manner determined by the Authority.

Section 1.6. Optional Prepayments. (a) The Loan may not be prepaid except upon the written consent of the Authority. If the Authority has consented, then upon 45 days' prior written notice to the Authority (or such lesser period as the Authority may accept), the Borrower may prepay the Loan and the Note, in whole or in part, on any February 20 or August 20 at a price equal to 100% of the principal amount to be prepaid, together with accrued interest and servicing fees thereon to the redemption date and a premium equal to all fees and expenses of the Authority, if any, in connection with the prepayment, including any fees, expenses or other costs relating to the payment and redemption of its Bonds as determined by the Authority.

(b) The Authority may require that the Borrower, at its sole cost and expense, deliver to the Authority an opinion from a law firm, selected by the Authority, having a national reputation in the field of municipal law whose legal opinions are generally accepted by purchasers of municipal bonds ("Bond Counsel") to the effect that such prepayment will not cause the interest on the Note to be included in the gross income of the recipient thereof for federal income tax purposes.

(c) Any prepayment of the Note shall be applied as follows: first, to the payment of fees, expenses and other costs of the Authority as provided in subsection (a); second, to the payment of interest and servicing fees on the principal amount of the Note to be prepaid; and, third, to the principal of the Note. The principal amount of a partial prepayment will, in the sole discretion of the Authority, (i) be applied to one or more future principal payments of the Loan in a manner determined by the Authority, or (ii) be applied to reduce each unpaid annual principal installment of the Loan in the proportion that such installment bears to the total of all unpaid principal installments (i.e., the remaining principal payment schedule shall be re-amortized to provide proportionately reduced principal payments in each year).

ARTICLE II – BORROWER RESPONSIBILITIES AND PROJECT COMPLIANCE

Section 2.1. Borrower Responsibilities with Respect to the Project. (a) The Borrower shall meet all requirements in the loan application submitted to the Authority as to compliance with federal and state laws, rules and regulations and shall include in any contract or subcontract related to the Project, provisions

requiring contractor and subcontractor compliance with applicable state and federal laws. The requirements in such loan application are hereby incorporated by reference.

(b) The Borrower agrees to commence construction and complete the Project with reasonable diligence, regardless of the sufficiency of loans or grants therefor from the Authority to pay eligible project costs.

(c) The Borrower will not enter into a sale, lease, transfer or other use agreement of any part of the Project, or change the use of the Project, without the prior written approval of the Authority if such sale, lease, transfer, agreement or change in use would (i) violate the covenants set forth in Article III or Article IV, or (ii) violate the conditions under which any capitalization grants were furnished by the United States Environmental Protection Agency (the "EPA"), or (iii) otherwise violate any terms or conditions of this Agreement.

(d) The Borrower must maintain adequate property insurance coverage for the Project in such amounts with such limits as it determines in good faith to be reasonable or in such amounts and with such limits as may be required by the Authority from time to time. The Borrower may substitute adequate, actuarially sound self-insurance or risk retention program(s) for property insurance coverage, so long as such program(s) are consistent with applicable laws and state and federal regulations.

(e) The Borrower must complete the Project in accordance with all applicable federal, state and local statutes, rules, regulations, ordinances, reporting requirements, approvals, and state agency certifications governing the design and construction of the Project, and will operate its clean water system in accordance with all applicable federal and state laws, regulations and permit requirements.

(f) The Borrower agrees to exert all reasonable efforts to investigate claims which the Borrower may have against third parties with respect to the construction of the Project and, in appropriate circumstances, take whatever action, including legal action, the Borrower reasonably determines to be appropriate.

Section 2.2. Construction Compliance. (a) The Borrower will comply with the provisions of prevailing wage requirements set forth in Minnesota Statutes, Sections 177.41 to 177.44, as then in effect.

(b) In addition to the prevailing wage requirements under subsection (a), the Borrower will comply and require that all laborers and mechanics employed by contractors and subcontractors on the Project be paid wages at rates not less than those prevailing on projects of a similar character in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C., sec. 276a through 276a-5), as amended.

(c) If requested, the Borrower will submit to the Authority, within 20 days of the end of the semi-annual reporting period, EPA Form 5700-52A to report on the award of prime contracts or subcontracts to any certified Minority and Women Business Enterprise (MBE/WBE) firms until the Project is complete.

(d) The Borrower will comply with Minnesota Statutes, Section 290.9705, as then in effect, by withholding to the extent so required eight percent (8%) of payments made to all out-of-state contractors once cumulative payments made to the contractor for work done in Minnesota exceed \$50,000 in a calendar year, unless an exemption is granted by the Department of Revenue. Withheld amounts are required to be deposited with the Minnesota Department of Revenue.

Section 2.3 Borrower Rate Covenant. The Borrower shall impose and collect such rates and charges (including costs allocated by the Borrower to local governments) according to an approved sewer service charge system, as provided by law, so that there are sufficient gross revenues available for the payment of the operation and maintenance of the Project.

ARTICLE III - TAX EXEMPTION

Section 3.1. Covenants. The Borrower acknowledges that the Note is intended to bear interest which is excluded from gross income of the owner thereof for federal and State of Minnesota income tax purposes (a "Tax-exempt Note") and may be funded by the Authority from the proceeds of the Authority's Bonds which are intended to bear interest which is excluded from gross income of the owner thereof for federal and State of Minnesota income tax purposes ("Tax-exempt Bonds"). The Borrower also acknowledges that, regardless of the source of funding, the Authority may pledge the Loan and the related Note as security for, and as a source of, the payment of debt service on any or all of its Tax-exempt Bonds. In consideration of these facts, the Borrower covenants and agrees with the Authority, whether or not strict compliance with such agreements is required to maintain the Note as a Tax-exempt Note or the Authority's Bonds as Tax-exempt Bonds, as follows:

(a) The Borrower will not take, or to the extent under its control, permit, any action which would cause the Note not to be a Tax-exempt Note or any Authority Bonds not to be Tax-exempt Bonds and will not omit from taking, or cause to be taken, any action required to maintain the Note as a Tax-exempt Note or the Authority's Bonds as Tax-exempt Bonds.

(b) The Borrower will take all actions with respect to the Note necessary to comply with all instructions and requests of the Authority relating to maintaining the Authority's Bonds as Tax-exempt Bonds and the Note as a Tax-exempt Note or compliance with the agreements set forth in this section or in any Tax Compliance Certificate (hereinafter defined).

(c) The Borrower agrees to comply with all requirements of any certificate or agreement ("Tax Compliance Certificate") executed and delivered by it in connection with the issuance of the Note.

(d) The Borrower will promptly notify the Executive Director of the Authority in writing of any action or event which adversely affects the status of the Note as a Tax-exempt Note or any of the Authority's Bonds as Tax-exempt Bonds.

(e) Covenant as to Use and Payment. The Borrower hereby covenants that, except as described in **Exhibit D** hereto, the proceeds of the Note will not be used in a "private business use", that the Note will not be secured by property used in a trade or business ("private security"), and that repayments of the Note will not be payable from, or derived from, payments related to property used in a trade or business ("private payment") as such terms are defined by Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). If and to the extent the Borrower desires to have any such private use, security, or payment not set forth in **Exhibit D**, it shall notify the Authority and request a specific amendment to **Exhibit D** to include such private use, security, or payment. The Authority agrees to consider such request for its consent to the amendment in good faith upon reasonable criteria. If the Borrower desires to take a deliberate action to have any such private use of the Project and remedial action is then available under the Code which would allow such private use subsequent to taking the remedial action without causing any interest on the Note or any of the Authority's Bonds to be included in gross income of the owner thereof for federal income tax purposes, the Borrower shall notify the Authority of such proposed private use and the proposed remedial action and shall provide the Authority a written opinion of nationally recognized bond counsel, selected by the Borrower and acceptable to the Authority, to the effect that upon taking of the remedial action, the subsequent deliberate action resulting in a private use of the Project will not cause the interest on the Note or any of the Authority Bonds to be included in gross income for federal income tax purposes. Upon receipt by the Authority of evidence satisfactory to it that the remedial action has been taken by the Borrower and that subsequent deliberate action did not cause the interest on the Note or any Authority Bonds to be included in gross income for federal tax purposes, such private use shall not cause a default under this Section 3.1(e).

(f) No Loan repayments may be made from, or secured by, property used or to be used for a private business use or payments in respect of such property within the meaning of Section 141 of the Code, except as specifically permitted in writing by the Authority.

(g) The Borrower will not establish any fund or account, other than a bona fide debt service fund, securing the payment of the Tax-exempt Note or Tax-exempt Bonds or from which the Borrower reasonably expects to pay debt service on the Loan, or in any other respect create “gross proceeds,” within the meaning of the Code, of the Tax-exempt Note or Tax-exempt Bonds, except as specifically permitted in writing by the Authority. In addition, any gross proceeds shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent such investment would cause the Tax-Exempt Note or Tax-exempt Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(h) The Borrower will not invest any moneys constituting “gross proceeds” of the Tax-exempt Note or Tax-exempt Bonds other than in a fair market, arms’ length transaction and at a yield, within the meaning of the Code, in excess of the lesser of the yield on the Tax-exempt Note or the Tax-exempt Bonds applicable to the Loan and shall apply all Loan proceeds within five days of the receipt thereof by the Borrower consistent with the terms of the Borrower’s disbursement request.

(i) Except as permitted under Treasury Regulations, Section 1.150-2, and Section 1.4(d) hereof, the Borrower will not use Loan proceeds to reimburse itself for any payments of project costs which the Borrower made from other funds, if the original payment was made prior to the earlier of the issuance of the Authority Bonds used to fund the Loan or the execution and delivery of this Agreement or if the original payment was made from the proceeds of other debt of the Borrower.

(j) Other than as provided in Section 4.1 hereof, the Borrower agrees that the allocation by the Authority of funds it uses to purchase the Loan, including different series of Tax-exempt Bonds, shall be at the sole discretion of the Authority and such allocation shall be binding on the Borrower.

(k) With respect to any gross proceeds of the Tax-exempt Bonds created by the Borrower, the Borrower shall be liable to the Authority for the amount required to be rebated as excess investment earnings to the United States.

(l) The Authority may, in its sole option and discretion and only upon receipt of an opinion of counsel to the Authority, waive any of the agreements set forth in this Article III.

ARTICLE IV – COMPLIANCE WITH STATE BOND REQUIREMENTS

Section 4.1. State Bond Financed Property. The Borrower and the Authority acknowledge and agree that the Borrower’s ownership interest in the Metro Wastewater Treatment Plant Projects consisting of real property and, if applicable, all facilities located, or that will be constructed and located, on such real property and all equipment that is a part thereof that was purchased with the proceeds of general obligation bond proceeds constitute “State Bond Financed Property”, as such term is used in Minnesota Statutes, Section 16A.695 and the “Third Order Amending Order of the Commissioner of Finance Relating to Use and Sale of State Bond Financed Property” dated August 26, 2010 (the “Order”) as such may be amended, modified, supplemented, or replaced from time to time and, therefore, the provisions contained in such statute and order apply to the Borrower’s ownership interest in the Metro Wastewater Treatment Plant Projects and any Use contracts relating thereto. The Borrower agrees that the proceeds of the Loan must be used and the Metro Wastewater Treatment Plant Projects must be operated in a manner that complies with Minnesota

Statutes, Section 16A.695 and the Order. The Borrower must file the required state bond financed property declaration as provided in the Order and provide a copy of the filed declaration to the Authority.

Section 4.2. Lease or Management Contract. The Borrower agrees that: any lease or management or similar contract (each a “Use Agreement”) entered into by the Borrower with respect to property constituting all or a part of the State Bond Financed Property must comply with the following requirements:

- (a) It must be for the express purpose of carrying out of a governmental program established or authorized by law and established by official action of the Borrower.
- (b) It must be approved, in writing, by the Commissioner of Minnesota Management and Budget.
- (c) It must be for a term, including any renewals that are solely at the option of the lessee or manager, that is substantially less than the useful life of the property subject to such lease or management contract, but may allow renewal beyond that term upon determination by the Borrower that the use continues to carry out the governmental program.
- (d) It must be terminable by the Borrower if the other contracting party defaults under the contract, or if the governmental program is terminated or changed.
- (e) It must provide for oversight by the Borrower of the operation of the property that is the subject of the Use Agreement.
- (f) It must specifically identify the statute that provides the Borrower authority to enter into the Use Agreement.
- (g) It must contain a provision stating that the Use Agreement is being entered into in order to carry out a governmental program and must specifically identify the governmental program.

Section 4.3. Sale. The Borrower must not sell any property constituting all or a material part of the State Bond Financed Property unless the sale complies with the following requirements:

- (a) The Borrower determines by official action that such property is not longer usable or needed by the Borrower to carry out the governmental program for which it was acquired or constructed.
- (b) The sale must be made as authorized by law.
- (c) The sale must be for fair market value as defined in Minnesota Statutes, Sections 16A.695 as then in effect.
- (d) The Borrower must obtain the prior written consent of the Commissioner of Minnesota Management and Budget.

Section 4.4. Changes to Minnesota Statute, Section 16A.695 or the Order. In the event that Minnesota Statutes, Section 16A.695 or the Order is amended in a manner that reduces any requirement imposed upon the Borrower, or if the Borrower’s interest in the State Bond Financed Property is exempt from Minnesota Statutes, Section 16A.695 or the Order, then upon written request by the Borrower, the Authority will enter into and execute an amendment to this Agreement to implement herein such amendment to or exempt the interest in the Project from Minnesota Statutes, Section 16A.695 and the Order or both.

Section 4.5. Waiver. The Authority may waive the requirements of Article IV at any time upon determination by the Authority, and after receiving approval by the Commissioner of Minnesota

Management and Budget that no portion of Metro Wastewater Treatment Plant Projects has been and will not be, funded from the proceeds of state general obligation bonds.

ARTICLE V - DISCLOSURE

Section 5.1. Information for Disclosure Documents. (a) The Borrower agrees to provide to the Authority such information with respect to the Borrower, its duties, operations and functions as may be reasonably requested by the Authority, and hereby consents to its inclusion in the Authority's official statement(s) used in connection with issuance and sale or the re-marketing of its Bonds or continuing disclosure with respect to its Bonds (collectively, the "Disclosure Documents"), whether or not all or a portion of the proceeds of Bonds were or will be loaned to the Borrower.

(b) At the request of the Authority, the Borrower will certify and represent that such information with respect to the Borrower in any Disclosure Document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; provided, however, that in no event shall the Borrower be required to make any representation about any other information in the Disclosure Documents or as to any Disclosure Document in its entirety. If for any reason the Borrower determines that it shall not be able to make such certification and representation, it will provide such information to the Authority as is necessary for inclusion in the Disclosure Documents so as to enable it to make such certification and representation.

(c) If at any time during the period ending 90 days after the date the Borrower provides information to Authority for inclusion in a Disclosure Document any event occurs which the Borrower believes would cause the information with respect to the Borrower in the Disclosure Document to omit a material fact or make the statements therein misleading, the Borrower shall promptly notify the Authority in writing of such event and provide information for inclusion in the Disclosure Document or an amendment thereof or a supplement thereto. At the request of the Authority, the Borrower will also provide the certification and representation required in (b) above with respect to such information.

(d) The Borrower will provide such information as may be reasonably requested by any rating agency in connection with rating the Bonds of the Authority.

Section 5.2. Continuing Disclosure. If the Authority, in its sole discretion, determines, at any time prior to payment of the Loan in full, (i) that the Borrower is a material "obligated person," as the term "obligated person" is defined in Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto ("Rule 15c2-12") or (ii) that an event has occurred with respect to the Borrower or the Loan that must be disclosed under Rule 15c2-12, or that any other action of the Borrower has occurred which the Authority determines in its sole discretion is material to an investor in Bonds of the Authority, with materiality under clause (i) being determined by the Authority pursuant to criteria established, from time to time, by the Authority in its sole discretion and set forth in a resolution or official statement of the Authority, the Borrower hereby covenants that it will authorize and provide to the Authority, for inclusion in a Disclosure Document, all statements and information relating to the Borrower deemed material by the Authority for the purpose of satisfying Rule 15c2-12 as well as Rule 10b-5 promulgated pursuant to the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto ("Rule 10b-5"), including certificates and written representations of the Borrower evidencing satisfaction of the requirements of Rule 15c2-12 and Rule 10b-5; and the Borrower hereby further covenants that the Borrower (if determined to be such a material obligated person) shall execute and deliver a continuing disclosure agreement, in such form as the Authority shall determine to be necessary, desirable or convenient, in its sole discretion, for the purpose of meeting the requirements of Rule 15c2-12, and pursuant to the terms and provisions of such continuing disclosure agreement, the Borrower shall thereafter provide ongoing disclosure

with respect to all annual and event information and financial statements relating to the Borrower required by a continuing disclosure undertaking under Rule 15c2-12 and pursuant to the terms and provisions of such continuing disclosure agreement, and the Borrower further agrees that the Authority shall have the right to disclose any information about the Borrower or the Loan, whether or not received from the Borrower, determined by the Authority in its sole discretion, to be material with respect to any of its Bonds.

ARTICLE VI - DEFAULT AND REMEDIES

Section 6.1. Events of Default. Any of the following are events of default under this Agreement:

(a) Failure of the Borrower to make a payment when due;

(b) Failure of the Borrower to comply with any other provision of this Agreement or the Note after written notice from the Authority and the Borrower fails for a three-month period to cure such default or provide a written plan acceptable to the Authority providing for such cure or, if the Authority accepts a plan for cure, the Borrower fails to cure any defaults within the time period specified therein.

(c) The Authority will promptly notify the Borrower within a commercially reasonable time of the occurrence of an event of default under paragraph (a) above, by email to the following addresses mary.bogie@metc.state.mn.us and Jason.willett@metc.state.mn.us or such other email address as the Borrower may designate to the Authority in writing, but failure to give such notice or any failure of the Borrower to receive such notice shall not affect the authority of the Authority to exercise any remedy under this Agreement following such event of default.

Section 6.2 Remedies. (a) For an event of default under Section 6.1(a) of this Agreement, the Authority shall impose an interest penalty as provided in Minn. Rules Part 7380.0475, Subpart 1. The Authority may also exercise one or more of the following remedies: (1) withhold approval of any disbursement request, (2) reject any pending application by the Borrower for financial assistance, (3) to the extent permitted by law, demand immediate payment of the Loan and the Note in full and, upon such demand, the outstanding principal amount of the Loan and Note will be immediately due and payable, with interest accrued thereon to the date of payment, or (4) exercise any other remedy available to the Authority at law or in equity, including under Minnesota Rules, Chapter 7380, as amended.

(b) For an event of default under Section 6.1(b) of this Agreement, the Authority shall impose an immediate increase in the interest rate on the Loan by eliminating all interest rate discounts that were applied in determining the interest rate under Minnesota Rules, Part 7380.0442. The Authority may also exercise one or more of the following remedies: (1) withhold approval of any disbursement request, (2) reject any pending application by the Borrower for financial assistance, (3) to the extent permitted by law, demand immediate payment of the Loan and the Note in full and, upon such demand, the outstanding principal amount of the Loan and Note will be immediately due and payable, with interest accrued thereon to the date of payment, or (4) exercise any other remedy available to the Authority at law or in equity, including under Minnesota Rules, Chapter 7380, as amended. If the Authority subsequently determines that the Borrower has cured all events of default, the interest rate on any unpaid Loan principal will revert back to the original interest rate.

ARTICLE VII - FINANCIAL RECORDS AND AUDITS

Section 7.1. Financial Recordkeeping. For all expenditures of funds made pursuant to this Agreement, the Borrower must keep financial accounts and records in accordance with generally accepted accounting principles including invoices, contracts, receipts, vouchers and other documents sufficient to evidence in proper detail the nature and propriety of the expenditures and any investments made with proceeds of the

Loan or other “gross proceeds” of the Note or the Tax-exempt Bonds of the Authority. Such accounts and records shall be accessible and available for a minimum of six years from the date of initiation of operation of the Project and for so long as the Note is outstanding for examination by authorized representatives of: the Authority, the Legislative Auditor, Office of the State Auditor and the EPA Office of Inspector General.

Section 7.2. Annual Audit Requirements. (a) The Borrower must annually provide to the Authority for the term of the Loan a copy of its independent annual audit. All audit reports must be submitted within 30 days after the completion of the audit but no later than one year after the end of the fiscal year to be audited. The audits must be conducted in accordance with generally accepted government auditing standards and in compliance with the single audit act requirements of the federal Office of Management and Budget, circular A-133.

(b) The Borrower must list the Note as general obligation debt of the Borrower in its annual audits for the term of the Loan.

ARTICLE VIII - THIS ARTICLE INTENTIONALLY LEFT BLANK

ARTICLE IX - ADMINISTRATION

Section 9.1. Amendments. Any amendments to this Agreement must be in writing and be executed by the Borrower by the same officials who signed the Agreement, or their successors.

Section 9.2. Fee. The Borrower acknowledges that the Authority may apply up to 2% of any loan repayment to payment of administrative costs and that such application shall not increase the amount of any repayments or extend the period of repayment.

Section 9.3. Notices. In addition to any notice required under applicable law to be given in another manner, any notices required hereunder must be in writing, and shall be sufficient if delivered by courier or overnight delivery service or sent by certified mail (return receipt requested), postage prepaid, to the address of the party to whom it is directed. Such address shall be that address specified below or such different address as may hereafter be specified, by either party by written notice to the other:

In the case of the Authority:

Minnesota Public Facilities Authority
332 Minnesota Street, Suite E200
St. Paul, MN 55101-1351
Attention: Executive Director

In the case of the Borrower:

Metropolitan Council
390 North Robert Street
Saint Paul, MN 55101
Attention: Chief Financial Officer
Copy to: MCES Finance Director

Section 9.4. Termination of Loan. The obligations of the Borrower under this Agreement (except the obligations set forth in Section 2.1 (b), (c) and (d) and Article IV hereof) shall terminate when the Loan is fully paid and retired.

Section 9.5. Exhibits. The following exhibits are attached hereto and constitute a part of this Agreement:

Exhibit A: Loan Repayment Schedule;
Exhibit B: Additional Provisions;
Exhibit C: Project Description; and
Exhibit D: Disclosure of Private Activity Use, Security and Payment.

Project Number: MPFA-11-0069-R-FY12

Borrower Name: Metropolitan Council

The Authority and the Borrower have caused this Agreement to be duly executed by their duly authorized undersigned representatives. Statutory Cities must execute this Agreement as provided in Minnesota Statutes, Section 412.201, as amended. Home Rule Charter Cities must execute this Agreement as provided in Minnesota Statutes, Chapter 410, as amended.

**MINNESOTA PUBLIC FACILITIES
AUTHORITY:**

By: _____

Mark Phillips

Title: Chair

Date: _____

ENCUMBERED:

Department of Employment and Economic
Development

By: _____

Date Encumbered: _____

(Individual signing certified that funds have been
encumbered as required by Minnesota Statute 16A)

METROPOLITAN COUNCIL

By: _____

Susan Haigh

Title: Chair

Date: _____

EXHIBIT A

Loan Repayment Schedule

<u>Date</u>	<u>Principal Amount Due</u>
August 20, 2012	\$ 20,000.00
August 20, 2013	\$ 2,697,000.00
August 20, 2014	\$ 2,738,000.00
August 20, 2015	\$ 1,780,000.00
August 20, 2016	\$ 1,823,000.00
August 20, 2017	\$ 1,367,000.00
August 20, 2018	\$ 1,911,000.00
August 20, 2019	\$ 2,956,000.00
August 20, 2020	\$ 3,601,000.00
August 20, 2021	\$ 3,748,000.00
August 20, 2022	\$ 3,794,000.00
August 20, 2023	\$ 3,842,000.00
August 20, 2024	\$ 3,890,000.00
August 20, 2025	\$ 3,900,000.00
August 20, 2026	\$ 3,580,000.00
August 20, 2027	\$ 3,640,000.00
August 20, 2028	\$ 3,680,000.00
August 20, 2029	\$ 3,685,000.00
August 20, 2030	\$ 3,697,000.00
August 20, 2031	\$ 3,651,000.00
Total	<u>\$ 60,000,000.00</u>

Interest and servicing fees shall be payable on each February 20 and August 20.

EXHIBIT B

Additional Provisions

Section 1. Additional Provisions Relating to Disbursement of Loan Proceeds.

(a) Disbursements will be made on a cost reimbursement basis consistent with the estimates provided to the Authority by the Borrower in connection with the loan application or any amendment thereof approved by the Authority in writing, but not in violation of any provisions of any applicable federal and state regulations. In lieu of submitting supporting invoices and billing statements with the disbursement request, a summary of project expenditures for incurred project costs may be submitted. The Borrower agrees that if it provides a summary of expenditures, the summary will be accurate and complete and consistent with the financial records of the Borrower to be maintained and available for inspection in accordance with Section 7.1 of the Agreement.

(b) When bids or proposals for the Project are received and opened, the Borrower shall provide copies of the bids or proposals to the Authority upon request.

(c) In the event the Borrower notifies the Authority that less than the entire principal amount of the Loan is to be disbursed for reimbursement of eligible costs of the Project, the balance not to be disbursed shall be applied as a prepayment of the Loan and the loan repayments set forth in Exhibit C will be adjusted as provided in Section 1.6(c) hereof.

(d) If any expenditures on the Project have been incurred and paid by the Borrower and the Authority withholds disbursements with respect to such expenditures for more than 60 days after submission of the request therefor, the Borrower may elect to secure alternative financing for the balance of the costs that were otherwise to be funded under the Agreement and direct the application of an equivalent amount of such funding to be applied towards payment or prepayment of the Loan under the circumstances permitted under Section 1.6 of the Agreement; provided that there shall have been delivered to the Authority an opinion of nationally recognized bond counsel to the effect that such actions would not of themselves adversely affect the tax-exempt status of interest on the Authority's Bonds, whether or not used to fund the Loan.

Section 2. Sharing of Debt Servicing Savings Upon a Prepayment of the Loan or a Refunding of Bonds.

(a) To the extent that the source of a prepayment of the Loan is an issue of bonds or other debt by the Borrower, and to the extent that the requirements of Section 1.6 of the Agreement are otherwise met, the Borrower agrees that, if as a result of such prepayment the Borrower realizes debt service savings on a present value basis (using the yield on such Borrower debt as the discount rate) after deducting administrative, legal and other costs of issuing, carrying and repaying the debt (but not taking into account for such purpose costs which the Borrower would have been required to pay without regard to the refunding) and after deducting any required rebate amounts and, if applicable, lost investment income from a lower yield restriction on invested funds pursuant to the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (collectively, the "Code"), the Borrower shall pay to the Authority fifty percent of the net present value savings as a prepayment fee. The Borrower may pay the prepayment fee as the savings are realized by the Borrower over the term of its debt, or in any other manner acceptable to the Authority and the Borrower.

(b) In the event and to the extent that (i) the Authority issues Bonds, the proceeds of which are used to refund the Bonds, if any, then allocated by the Authority to all or a portion of the Loan outstanding at the time of issuance of the refunding Bonds, and (ii) as a result of such refunding the Authority realizes debt service savings on a present value basis (using the yield on the refunding obligations as the discount rate) after deducting administrative, legal, and other costs of issuing, carrying and repaying the refunding bonds or the refunded bonds (but not taking into account for such purpose costs which the Authority would have been required to pay without regard to the refunding) and after deducting any required rebate amounts and lost investment income resulting from a lower yield restriction on invested funds pursuant to the Code, the payments required to be made by the Borrower pursuant to the terms of the Note shall be reduced as provided in Section 1.6(c) of the Agreement such that the Borrower shall receive the benefit of fifty percent of that portion of such realized net present value savings which is allocable to that portion of the outstanding Bonds then allocated to fund a portion of the Note (to the extent the Note is then outstanding), or such larger percentage of such savings as the Authority may determine in its sole discretion; provided, however, such net present value savings shall be reduced by any amount of such savings attributable to portions of the Note previously paid or prepaid by the Borrower. Lost investment income referred to above shall not include the difference between the actual investment income on any escrow established to advance refund the refunded bonds and the maximum investment income permitted for such escrow pursuant to the Code if such actual investment income is less than the maximum permitted and such difference otherwise had been taken into account in calculating debt service savings. At the request of the Borrower, upon the issuance of such refunding bonds and prior to the reduction of payments on the Note, the Authority shall provide the data, computations and supporting reports, if any, used by the Authority in calculating net present value savings and allocating such savings, as applicable, to proposed payment reductions on the Note.

EXHIBIT C

Description of the Project

The Project consists of the following:

MCES Project Number	IUP Project #	Project Name/Subproject Name	Project Phase	
			Certified for PFA Funding	Certification Date as of 12-21-2011
8028	279356-10	Blue Lake Interceptor System Improvements	Planning/Design	06/04/04
802812	279356-10a	VSF L22 and L23 Tunnelling	Construction	06/16/09
802815	279356-10b	VSF Int 7019-B Rehab	-	pending
80245	279356-10c	Wayzata Area Phase 2 Improvements	-	pending
8068	279768-03	1-MN-310/320	Planning/Design	04/19/10
8018	279341-11	Blue Lake Plant Improvements	Planning/Design	06/04/04
801830	279341-11a	Liquids Phase I	Construction	05/26/09
801840	279341-11b	Solids, energy recovery	Construction	06/23/09
801837	279341-11c	Site and Levee Remediation	Construction	10/05/11
9004	272146-15	Elm Creek	Construction	04/23/03
8057	279770-03	Golden Valley Area Improvements	Planning/Design	03/25/10
8030	272630-08	Hastings WWTP	Planning/Design	06/04/04
8041	272493-07	Hopkins System Improvements (HSI)	Planning/Design	08/07/01
804120	272493-07a	HSI Mpls Phase 1 Contract A	Construction	06/30/11
804122	272493-07b	HSI Mpls Phase 1 Contract B	-	pending
804126	272493-07c	HSI Mpls Phase 1 Contract D	-	pending
8055	279769-03	Lift Stations L7, L13, L30, L35, L66	Planning/Design	04/20/10
8062	272355-13	MWWTP Solids Processing Improvements	Planning/Design	07/02/07
8059	279435-05	MWWTP Rehabilitation & Facilities Improvements	Planning/Design	07/02/07
805920	279435-05a	Final Settling Tanks Sludge Collection Equipment	Construction	06/07/10
805941	279435-05c	Aeration Tanks 9-12 Mixers Replacement	Construction	6/22/2010 and 6/30/11
805910	279435-05d	Primary Settling Tank Sludge Collection Equipment	Construction	11/10/10
805915	279435-05e	Sludge Storage Rehabilitation	Construction	01/20/11
805926	279435-05f	Non-condensing steam turbine generator	Construction	1/20/11 and 6/30/11
805942	279435-05g	Biofilter BI01 Pipe Access	Construction	11/10/10
805951	279435-05h	LWR Tunnel Ramp	Construction	11/10/10
805955	279435-05i	Process Computer System	Construction	06/20/11
805923	279435-05j	Effluent Pumping Emergency Generators (Procurement)	Construction	03/09/11
805960	279435-05k	Double Barrel Interceptor Improvements	Construction	03/09/11
805961	279435-05l	City Water Improvements Phase 1	Construction	06/09/11
805964	279435-05m	Floodwall & Dike Improvements	Construction	06/30/11
805965	279435-05n	Effluent Water Improvements Phase 1	Construction	06/30/11
805921	279435-05o	WSE FST Inlet Gate Replacement	-	pending
805928	279435-05p	Cable Replacement Phases 3 and 4	-	pending
805929	279435-05q	RAS/WAS Pumps VFD Upgrade	-	pending
805945	279435-05r	Solids equipment, FBI Baghouse Improvements	Construction	10/05/11
8023	279343-08	Northeast Interceptor Improvements	Planning/Design	06/04/04
8027	279386-05	South St. Paul Forcemain Improvements	Planning/Design	04/30/08
802710	279386-05a	Phase 1A interceptor improvements	Construction	04/30/08
802712	279386-05b	Phase 1B interceptor improvements	Construction	04/30/08
802714	279386-05c	Phase 1C interceptor improvements	Construction	04/30/08
809046	279386-05d	Phase 2 interceptor improvements	-	pending

These projects are further described and listed on the Intended Use Plan (IUP). Projects in fundable range on the approved 2012 IUP may be eligible to receive disbursement from this Loan following MPCA certification and PFA approval. MCES planning/design projects in the fundable range that move to construction may be eligible for funding for the construction phase following MPCA's certification and PFA approval.

EXHIBIT D

Disclosure of Private Activity Use, Security and Payment